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OUR NEXT BIG JOB

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PRESIDENT WOODROW WILSON

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RECONSTRUCTING AMERICA:

OUR NEXT BIG JOB

The Latest Word on the Vital Subjects of the Hour. The Views on Reconstruction and Readjustment of the Country's Greatest Thinkers and Constructive and Industrial Geniuses, including Pres. Woodrow Wilson, Hon. Wm. H. Taft, Hon. Wm. G. McAdoo, Charles M. Schwab, Elbert H. Gary, Samuel Gompers, Frank A. Vanderlip, John D. Rockefeller, Jr., Paul M. Warburg and others.

EDITED BY

EDWIN WILDMAN

Editor of "The Forum," Author of "Aguinaldo," etc.

Illustrated with Portraits

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INTRODUCTION

JUST what form reconstruction will take in national economics is a question that provokes diversified opinion. That the War has left unsolved the problems of Peace is obvious. War is the conduct of force in disregard of the law of supply and demand, indifferent to the individual and wholly in consideration of the fighting arm. The problem that comes after is the readjustment of inflation and the readjustment from abnormal to normal conditions.

Every man and every business has felt the reaction of war and likewise will feel the effects of the settling to normal peace economics. The heritage of the war is an enormous debt upon which taxes must be paid. To meet these obligations of the Government to ourselves as citizens of the nation, is a problem in taxation that will require the expert thought of trained minds conversant with natural and manufactured production. Money is valuable to the state only while in circulation, and legislation or taxation that impedes its movement in trade will retard its return to normal values.

The danger, in the processes at work, is radicalism, expediency, and ill advised control, by edict, legislation, or misinterpretation of power. Grave questions

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of the rights of individuals and commonwealths rise up on the horizon.

Living under a Republic and prospering by its fundamentals, the citizen is tenacious in his beliefs that even the emergency of war must not violate his guaranties as a unit of that Democratic form of government. It would be a hazardous undertaking to long deny a citizen the rights of free speech; it will be an ill considered policy to invade the proprietary rights of industry; it would be a short-sighted policy to attempt to "fix" the price of labor.

In any scheme of reconstruction there must be considered mass power, easily translated into force, and there must be considered the personality of wealth, embodied in finance, manufacturing, real estate, and commercial undertakings of all kinds on land and sea at the closing hour — the hour of payment; for wealth, active capital, earning power must pay the taxes of war, whether from savings of earnings or from increased charges for product and labor, passed on to the consumer.

In between these two always rival forces of citizenry there is a mean which reconstruction must approach. Man is instinctively self-preserving, except under the spell of an exalted emotion, and in this critical scramble for a restoration of processes, he will seek to save his own hide first. As a result there come unfair practices and abnormal prices — whether for commodities or labor. They rise and fall together under normal conditions — to-day they are unstable, often "set," and do not reflect earning power and purchasing power.

It is the problem of reconstruction to create the vehicle of approach, and in the process true economics must be

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restored. The process will require great skill as to methods and great compromises in position. Otherwise, the inflated dollar will be a bubble easily exploded to the disaster of all, or hie itself away to foreign lands for investment.

Why and what must we reconstruct?

That a considerable reconstruction is inevitable hardly need be emphasized. That too much reconstruction be attempted is one of the dangers of a changing viewpoint of public opinion. There is a proverb about putting new wine in old bottles. Real American ideals — those of Washington, Jefferson, Lincoln — have not changed. The Constitution is not a scrap of paper, and long-established customs are not easily supplanted by theoretical replacements. The United States is not in danger of too little reconstruction, but is gravely threatened by too much. By reconstruction I do not refer to the physical aspects. We have not been broken under the heel of warfare. We do not need rebuilding. Our government has not changed form in the throes of conflict.

What then are the problems of reconstruction that are disturbing and threatening the stability of our Republic? What do we face in the next two years that calls for immediate attention and thoughtful consideration — and action?

First let us glance at the fundamentals. War necessity has upset the usual order, abrogated the normal and legal status of business. Economic laws have been overturned under the pressure of emergency and statutes have been set aside to speed up the functioning of production and transportation. And what is the most

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serious upheaval and the one hardest to restore to pre-war conditions is the attitude of labor — all labor. And as labor is affected so are all the products of labor and the attendant values, both in relation to itself and its products. Labor is on a strike. It is not a local condition — it is manifest in every section of the country in swift recurrence. Labor is striking for various economic reasons, — more or less as a result of war inflation and to a considerable extent coincident with the conflict evident in the settling process, incident to after-war conditions.

The war period has been labor's opportunity. Wages bore no relation to services, in terms of normal measurement. Labor was the prime essential and at any price. The increasing scarcity of commodities, due to the war draft upon essentials, put prices on the top shelf. Labor's high wage was not sufficient. The decreasing purchasing power of the dollar cut down the purchasing power of Labor's inflated dollar. Labor struck on — in most instances it did not need to even strike to gain its advance. And now Labor is militant in its desire to hold its war-gained advantage, while production slackens with the lessening demand for war essentials.

Here we find every element of clash; the throes through which labor and capital must pass in their struggle to operate — for neither can succeed without the other, in the last analysis — coöperatively. This is one of the most serious and by all degrees the great fundamental problem in economic reconstruction. It affects every artery of our social and business life and concerns itself with our political future. In its struggle are elements as fraught with peril as ever confronted

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this nation. There are bound to be offered untried schemes to meet this great question, and to placate the hysteria of the moment. On the other hand, American business, recognizing the extraordinary and inflated condition of values, is offering various solutions to readjust and reconstruct a working basis between itself and its man power.

Big business is conciliatory and offers partial participation in profits, representation in management, and certain forms of recognition of the unionization of labor. Into this conflict has sprung a form of socialistic propaganda, and Bolshevism — a form of anarchy, a weapon of unrest and unemployment, in its American interpretation.

To offset and appease labor and its spokesmen the Government at Washington is reaching far. It is encouraging a sort of socialism and paternalism, heretofore unknown in our administration of national affairs. Here arise problems to be threshed out by the people. Questions of Government control and ownership protrude themselves into the period of reconstruction.

Intimately associated with questions of government reach are vital issues of finance, of administration, of credits, of possible deficits to increase the burden of taxation, and the invasion of private rights of vested interest in privately established businesses — whether the small retailer or the holder of public franchises.

These are reconstruction questions that concern at least the temporary period of readjustment through which we must pass in the coming two or three years.

The world has been upset, the balance of trade no longer exists, protective tariffs, embargoes, and the

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carrying trade of the world have been affected. We cannot escape the international aspect of trade conditions.

And with that thought in view we must put our own house in order. The war has brought home to us the importance of the homogeneity of our people as a nation. Our polyglot citizenry must be Americanized. The conflicting social elements, dissociated foreign characteristics, and alien tongues under our flag must be welded by the spirit of patriotism in a common thought for national unity. It is a big, vital issue of reconstruction.

We are in the throes of a new order, conscious of a new spirit of toleration and mutual interest for a greater period of betterment in conditions of life and business.

The war has clearly given us the vision of the obsolete. Certain old forms of personal attitude will no longer work. The arrogance of wealth, the militant resistance of labor, will no longer prevail. Coöperation and consideration are coming into the fore of industry.

These are not idealistic dreams, nor can they be solved by idealistic propagandas. Sound sense and a leaguing of interests must be the practical method of a closer approach.

Americans are too frequently susceptible to hysteria; conglomerate and liberty-loving, there is danger of an uncontrolled spirit running amuck, in politics, in government, in social reorganization. Phrase and idealism have run rampant in this, the new peace period after the hard hand of war repression. But the settling processes are at work. The Government is retracting and modifying some positions considered fatal to our funda-

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mental principles. Labor, while seeking to hold to its objectives, has listened to mediatory counsel. Business and finance have reached forward eagerly for an adjustment and a sound basis of continuance of the prosperity the country has fallen heir to.

And now into this crucible comes the melting of many minds. Our nation is thinking and our articulate voices are speaking. Thoughtful minds are seeking a solution of our problems. Out of it all the Great American Mind will crystallize into definite public opinion. The false will be repudiated and the sound will prevail. Just what new forms our public and private functions of social, economical, political, and commercial life will take, who can tell? But if no grave mistake is made by those now in power, no hysterical panacea is superimposed upon the will of the people, no ill advised partisan legislation is forced, a solution of our problems will come from the saner, more constructive thought of our better thinkers. To them we must look for guidance. In this volume I have sought to bring together the opinions and views of those who command the nation's respect, for to them we may properly lend audience to stabilize and formulate our own thoughts and stimulate intellectual force into concrete action, for the unification of the common mind upon these all-concerning problems of America's reconstruction.

EDWIN WILDMAN,
Editor of The Forum.

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RECONSTRUCTING AMERICA

CHAPTER I

THE BASIS FOR CONSTRUCTIVE SETTLEMENTS

PRESIDENT WILSON, in consonance with his declared purpose in going abroad to "translate into action the great ideals for which America has striven," took for his theme, at Manchester, England, the community of interest — partnership of right — between America and Europe. He said in part:

I

THE GREAT DAY OF SETTLEMENT

BY PRESIDENT WILSON

It does seem to me that the theme that we must have in our minds now in this great day of settlement is the theme of common interest and the determination of what it is that is our common interest. You know that heretofore the world has been governed, or at any rate the attempt has been made to govern it, by partnerships of interest, and that they have broken down. Interest does not bind men together. Interest separates men. For the moment there is the slightest departure from the nice adjustment of interests then jealousies begin to spring up. There is only one thing that can bind peoples together, and that is common devotion to right.

Ever since the history of liberty began men have

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talked about their rights, and it has taken several hundred years to make them perceive that the principal condition of right is duty, and that unless a man performs his full duty he is entitled to no right. It is a fine correlation of the influence of that duty that right is the equipoise and balance of society.

A PARTNERSHIP OF RIGHT

And so, when we analyze the present situation and the future that we now have to mold and control, it seems to me there is no other thought than that that can guide us. You know that the United States has always felt from the very beginning of her story that she must keep herself separate from any kind of connection with European politics. I want to say very frankly to you that she is not now interested in European politics, but she is interested in the partnership of right between America and Europe. If the future had nothing for us but a new attempt to keep the world at a right poise by a balance of power, the United States would take no interest, because she will join no combination of power which is not a combination of all of us. She is not interested merely in the peace of Europe, but in the peace of the world.

Therefore it seems to me that in the settlement which is just ahead of us something more delicate and difficult than was ever attempted before has to be accomplished — a genuine concert of mind and of purpose. But while it is difficult, there is an element present that makes it easy. Never before in the history of the world, I believe, has there been such a keen international consciousness as there is now.

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THE MANDATE OF HUMANITY

There is a great voice of humanity abroad in the world just now which he who cannot hear is deaf. There is a great compulsion of the common conscience new in existence which if any statesman resist will gain for him the most unenviable eminence in history. We are not obeying the mandate of parties or of politics. We are obeying the mandate of humanity.

That is the reason why it seems to me that the things that are most often in our minds are the least significant. I am not hopeful that the individual items of the settlement which we are about to attempt will be altogether satisfactory. One has only to apply his mind to any one of the questions of boundary and of altered sovereignty and of racial aspirations to do something more than conjecture that there is no man and no body of men who know just how they ought to be settled, and yet if we are to make unsatisfactory settlements we must see to it that they are rendered more and more satisfactory by the subsequent adjustments which are made possible. *We must provide the machinery for readjustments in order that we have the machinery of good will and friendship.*

II

What Does Reconstruction Mean?

By Ex-Senator J. HAMILTON LEWIS

So much depends upon how we apply the English language, how much reliance can be placed upon the uses of words, that as we approach the interesting phases of

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world reconstruction we must not forget that we also approach the language of world diplomacy. Diplomacy is constructive, not reconstructive, because if it were otherwise it would become too complicated for treaty purposes.

The chief thought of our reconstruction in this country carries with it no secret advantage. It has above all other qualities a hope for intelligent results. No appeal to American intelligence is ever wasted, and therefore, divested of the difficulties of natural sentiment which is involved in the task of reconstruction, the Americans have only to protect their intelligence. This they have always done, and there is no reason to expect that they have lost the gift. However, the length and significance of the word "reconstruction" itself permits speculation. There are questions to be answered that are almost intangible. For instance, one of them is, "What is there in this country to *reconstruct?*"

There is really nothing. The return of the men from the front should bring no greater surprise or effect upon the existing order of business than when soldiers came back from Mexico, or from Cuba. The war has not done actual damage to our country, as it has in Europe. Our fields are protected, our houses are intact, our industries have increased their efficiency if anything throughout the war. In spite of our business sacrifices we have loaned enormous sums to our neighbors across the water, and we have more to spare ourselves than we ever had before. The casual observer looking over this land of liberty sees no outward signs of things to reconstruct. And yet he is impressed with the necessity of reconstruction. Of course he is.

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We have emerged from this war with a realization that there is new blood among us, we feel the stir of a vast responsibility to that new blood. Our territories seem to be extended, our system of trade needs changes to meet the larger growth, our senses are tingling with a duty of neighborly obligation that will adapt themselves to the common interests of humanity.

"RECONSTRUCTION" MUST BE ASSOCIATED WITH EUROPE

There is some meaning to this word "reconstruction," and yet how are we going to grasp it without business changes being involved, without our national character being challenged?

It has a far greater meaning to the devasted regions of Europe than it has to us. It affects us only in our coming relation with the people of the old world, because of them we are involved in the meaning of the word. Europe lies charred, torn, bleeding from the disaster of the war. To the Americans reconstruction must therefore be associated with Europe. We are in the position to-day of a creditor nation to Europe; we are not only bound to the welfare of the old world by ties of humanity but by ties of economic interest. The war has brought us into new forms of industrial problems, from which we can profit only if we demonstrate a far-sighted patience, only if we moderate our business habits with conciliatory sentiments for a bankrupt people.

To visualize better the nature of the word reconstruction as it affects our relation with the war-stricken countries, we might say that as a nation we hold an immense mortgage on Europe.

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WE MUST MAKE GOOD OUR MORTGAGE ON EUROPE

It would be very shortsighted for us to wish to foreclose upon a property that was already destroyed when by just and careful management we can enable Europe to pay the obligation of that mortgage. That is one of our chief tasks in reconstruction.

As to Europe, our prospect of reconstruction involves faith in our investment, an attitude of helpful, patient, indomitable trust in it. Just now there is, perhaps, no thought of this phase of our relations to Europe, because we are absorbed with the horror of those who are suffering there, of sympathy with the political change of heart that has seized all Europe, with our natural understanding of the shock that has temporarily disturbed the economic character of Europe.

In the meaning of the word reconstruction there lies also the purpose of business stability, of restored trade, of an equitable balance of merchant life. It will be some time before this balance can be reached, and no impatience of profiteering, of anxiety for the future, of scrambling by competitive methods will bring it about. Behind the true meaning of the word reconstruction lies the large stride of the nations abroad, for upon the political decisions, upon the adjustment of religious differences, upon the softening of the passions and sentiments that have been roiled up by the storms of war, depends the economic settling of affairs. What we must do at once is to tighten the bonds of friendship that unite us, to assist the distress, to enable the wounded economic conditions in Europe to return to normal. If the word reconstruction is to remain in our thought

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as a pivot of opinion upon which we measure the rights and the wrongs of our future transactions with Europe, it must be considered with the utmost confidence by us. Our ability and our confidence must be in accord in trade, to resume our relations with European industries upon a far more prosperous basis than we have ever had before. That, to my mind, is our course of reconstruction in Europe.

WHAT WE MUST DO IN AMERICA — AND ABROAD

As to America. As I have said, there is no internal reconstruction of a reactionary nature necessary. I am not assuming that political rumors of vast changes will occur. I am assuming that we, and this country, are economically so safe and sound that in our personal exchange of business we have only to go ahead. Our roads are open, our industries are solvent, our homes are in order, our money is well invested, we are ourselves well off. The matters that may come under our interpretation of reconstruction concern our temptation to impose barricades in trade. This we must not do. We must see that we maintain a delicate balance in exports and imports. We must not take advantage of the necessities of others now, lest later on when the new social order has come about they take a similar advantage. We must nurse our foreign trade, we must look far ahead. With the political trend of the world towards republics we shall one day be one vast people on this earth dealing directly with one another. It is obvious that former standards of competition will be exposed to ruthless scrutiny. The merchants of the world will supply each other according to the will of

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the people they sell to, because there will be an end to preferred groups, to organized trade in corners. It is hopeful to believe that we shall have to reconstruct our ideas of commercial value; if we do not, if we are not in accord with the new order of social conditions, we shall foster a boomerang in any effort we make to centralize our trade advantages.

A WORLD CONSCIENCE IN TRADE

Of course these are questions of reconstruction, but they are in final analysis really matters of construction which this great war has helped bring about. The products of the earth will be for all the people, not for the few, but they will not be distributed according to radical dreams. They will pursue the present course of value for value, but the values will be closer to a true valuation. By degrees the balance of affairs, enormously extended, vastly simplified in trade, will rise to a grand level of equality. Merchants will deal with each other without suspicion because there will be nothing to suspect. The republics of the world will dominate the conscience of trade.

As to the armies and navies of the world, they will be maintained, but upon a new order of reconstruction they will operate in accord with the neighborly obligations of their duties. They will not be in conflict, they will be in unison. Instead of being a menace to the safety of the people they will be their security.

Thus we have the three corners of the world's triangle, the pedestal upon which the proposed reconstruction of the world will stand. Above all things it is an issue of financing. If the financing is wisely done, well and

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good; if it is not, the consequences will be serious. But I believe that in any event it will not be reconstruction, it will be construction.

III

Reconstruction Needs in our Democracy

By Senator CHARLES S. THOMAS

What is Democracy? Democracy is not militarism nor anarchy. It is not socialism nor lawlessness. It does not confer absolute freedom, for that is inconsistent with equality of right. It does not require a Republic, for the developments of its principles are strangers to many of them while the blessings are enjoyed by the subjects of many Monarchies.

Democracy is synonymous with ordered liberty which respects and safeguards the rights of all. Its congenial structure is Republicanism, and Elihu Root has finely said that Republican government is organized self-control. Henry Ward Beecher declared the real democratic idea to be not that every man should be on the level with every other, but that every one shall have liberty without hindrance to be what God made him. Any condition interfering with this conception is an unhealthy one. It may be deemed essential to class interest but it is not Democratic.

Democracy finds its natural expansion in social, economic, and political development. From the friction thus engendered come the ills which threaten its integrity. These lines of development must now pass through a period of readjustment before they again become normal.

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Perhaps the most insidious danger to Republican institutions is the indifference of the citizen to his public duties. The beneficiaries of free government become indulgent and comfortable; their responsibilities grow irksome and annoying. Their vigilance relaxes in their struggle for material things. Their time is absorbed in the pursuit of gain. The diversion of their energies from the needs of government is the opportunity of privilege, and privilege undermines Democracy.

WHAT THE TAXPAYERS MUST DEMAND

The war leaves us the legacy of a stupendous debt. It will reach, if it does not exceed, $35,000,000,000. The annual interest upon this stupendous sum will be $1,400,000,000. This means a vastly increased rate and radius of taxation. The people will bear the burden willingly, if economy in public administration and the application of every dollar to the public needs shall become the policy of the Government. They will not and should not be content if the gross extravagances of the past continue.

In 1910, Senator Aldrich declared that ordinary efficiency in public administration would annually save the people $300,000,000. It would now save twice that sum. If the taxpayers of America will unite in demanding a radical revision of our public service, a consolidation of duplicating bureaus, and the institution of the budget system in appropriations, it will be done. If they will also rigidly supervise public expenditures, taxation can be largely reduced. If they fail to do this, our appropriations will keep increasing, for every demand made upon the Treasury is complied with when

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political or organized force is behind it, and everything in these days is organized except the man who pays the taxes. Moreover, the huge debts of the nations, however well their revenues are managed and applied, will always be a fruitful source of disaffection.

To those possessing none of it, yet paying taxes to meet its fixed requirements, the impulse toward repudiation may ripen into an insistent clamor. Once begun, it may spread like the virus of influenza, from nation to nation, and from public to private obligations. Nothing could be more disastrous to a people than the success of such a movement, which will inevitably arise, whatever our policy. It is certain to materialize if in our financial administration we do not at all times apply sound principles to taxation and exercise a wise and frugal economy in expenditures. Nothing is more difficult in a Republic than this, if public interest is lax or non-existent.

LABOR SHOULD UNDERSTAND ECONOMIC LAWS

Readjustments toward normal conditions must inevitably react on war prices and wages. The first will not be disturbing, the last may prove alarmingly so. Lowering of salaries and wages, though absolutely essential to a falling market, is always opposed by the wage earner and frequently to the extremes of violence. The higher these have risen, the more bitter the opposition to their diminution becomes. This inevitable situation should be promptly recognized and every effort made to prepare against it. Labor should be urged to acquaint itself with the economic laws which compel the change, and with its compensation in low-

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ered cost of living. And the change should come as gradually and as universally as possible.

Our immigration laws have been largely molded by political and economic considerations. The same is true of those relating to naturalization. Much of our immigration has represented the best of Europe. These have been of inestimable value to the country. They have cast their lot in America for all time, sharing our burdens and responsibilities, and aiding in the great task of building a new nation upon a virgin continent.

But the demand for labor and the need for ballots have flooded our shores with a mass of humanity apparently unassimilable.

The disruption of the Central Powers, followed by the establishment of popular government for their liberated peoples, will doubtless remove all restrictions upon their continued emigration. The burden of debt, coupled with unsettled economic conditions, will encourage the western movement of their population. The added stimulus of the great steamship companies, eager for their old steerage traffic, may rapidly reëstablish the high tide of ante-war immigration. If it is to be checked, the dam must be erected on this side of the Atlantic, and no time should be lost in its construction.

BOLSHEVISM STARTED IN OUR SWARMING CENTERS

Bolshevism has given the world a hideous illustration of the fundamental truth that when liberty is divorced from law, justice disappears. The freedom of unrestrained license is the only freedom of the mob. Under the sway of that many-headed despot, crime holds high carnival. It is to this chaos that International

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Socialism would lead the world. Russian anarchy is popularly ascribed to the oppression of the Romanoff dynasty. That is largely true. Yet it is a sinister fact that excepting Lenine, nearly all the leaders of Russian Bolshevism graduated from the swarming centers of New York, Chicago, and Philadelphia. Trotsky, Volodarsky, Kritzky, Martoff, are some of them. Their bloody program was formulated here, and here they proposed to test it, when opportunity beckoned, and Russia became their victim. From that Continental slaughterhouse they salute their accessories in America and urge them to the commission of similar atrocities.

The assimilation of races, so essential to a national unity, cannot be effected under conditions now prevailing. While they continue, our citizenship must be heterogeneous and discordant. A polyglot people, without geographical separation, with conflicting aims and ideals, united, yet socially, morally, and economically antagonistic, cannot endure in a Republic. Racial classification is the precursor of racial animosities, and racial animosities imperil the national safety.

But our trend toward class distinctions is not wholly ethnological. It proceeds as well along other lines, and finds expression in trades, in agriculture, in legislation. Our Federal laws bristle with clauses recognizing and favoring them. In matters of penalty, revenue, trusts, transportation, and appropriation, we frequently exclude foreigners, workmen, government employees, fraternal organizations, and some others from punitive and burdensome enactments. We also extend them privileges not conferred upon others less potential in numbers

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or influence. The equal protection of the laws will, if this practice be not abandoned soon, be honored more in the breach than the observance.

LAWS MUST BE UNIFORM IN THEIR APPLICATION

The laws are potent for the protection and welfare of the citizen only as they are uniform in their application, just in their mandates, and respected by the people. Laxity in their enforcement and indifference to their requirements have long been a conspicuous and sinister feature of our national life. This is particularly true of the criminal law. The disparity between homicides and convictions will serve to illustrate the assertion. Their proportions are as thirty to one, and those due to labor controversies seldom reach the stage of a formal indictment. The expense of modern litigation, crowded dockets, and the law's delays may be largely responsible for the low level of public respect for statutes and constitutions; but whatever the cause, the evil is a serious one. The public safety depends upon the public order; the public order rests upon the sanction and the mandate of the law, and the law is made contemptible whenever its protection is denied to the meanest citizen.

To this condition we must plead guilty, for it is a melancholy fact that the citizen frequently is denied the equal protection of the laws, either by exposure without redress to acts of violence or through the tedious and expensive processes of legal machinery. Both mean a denial of justice, and Burke said that a government not founded on justice labored under the imputation of being no government at all.

If our organic act means anything, every citizen is

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free to work according to his own desire. He should be subject only to the limitations of the law. To interfere with this right or permit others to do so with impunity is to undermine the foundations of our political structure. A law which does not throw the shield of its protection around him is worse than useless. It is a wanton delusion. On the other hand, ample punishment for the commission of crimes is provided, and safeguards as well for the shielding of the innocent. All that is needed is their vigorous enforcement. If they are not applied, the fault is with the community much more than with the criminal. Let no man therefore justify his contempt for the law by pleading its non-enforcement. For that he is in part responsible.

ENEMIES TO ORDER AND CONTENT

Ours is a land of waste, and waste is the enemy of thrift. Some one has said that with our resources the French would have saved enough since the century began to pay her own and Britain's war expenses. The war has brought us the wisdom and the simplicity of thrift. We should make it a national virtue. Thrift is the foe of disorder, a virtue that becomes hostage to fortune. Hunger is stranger to it, and hunger never breeds reforms. Hunger breeds riot and bloodshed.

In America hunger is a social crime. Out of our abundance we can feed other continents. The fault lies in distribution. If private control of transportation cannot solve the vital problem of its distribution, public control must. Democracy requires food and part of her mission is to secure it.

Corporate mismanagement and consolidation, huge

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issues of fictitious capital, corners in foodstuffs, manipulation of stock markets, fortunes realized overnight through financial jugglery, preponderant control of money and credits disfigured the commercial history of the two decades preceding our declaration of war. They constitute a sordid and humiliating chapter of greed and financial profligacy, and simply justify the wave of public disapproval culminating in political revolt and codes of primitive legislation.

These practices cannot be too seriously criticized. They have inspired as they have justified every extreme of agitation. Such operations cannot be resumed if we hope to preserve free government in America.

Otherwise than in the fortunate development of mines, great wealth may be suddenly acquired only through sinuous and criminal manipulation. Its frequent occurrence demoralizes the people. It begets discontent and compels imitation. The effort to get rich quick becomes infectious. Men look with disdain upon the slow but legitimate processes of accumulation, and drift from plodding industry to the stock ticker and the exchanges. And as the vast majority of the seekers for sudden wealth are predoomed to failure, they will sooner or later join the ever increasing army of the discontented and reproach the social order for their misfortunes.

THE EVILS OF THE WELL-TO-DO. CAPITAL AND LABOR

The well-to-do element of the country is its most influential class. It occupies the great domain of leadership and constructive development. It can ill afford to weaken the social and economic structure. It cannot

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commit or countenance methods which breed discontent and unsettle confidence. What it does or abstains from doing, is therefore of great concern to the public and of prime importance to itself. When confidence in its honesty or public spirit is impaired or overthrown, the hour of upheaval will come. I therefore affirm that the suppression of the financial malversations so prevalent during the past quarter century is an insistent and overshadowing duty.

The chasm between labor and capital must be spanned. This cannot be done by force, by class resentments, nor by recrimination. Each of these great forces must understand the other's viewpoint. Both must realize that they are complements and coworkers of progress. Without the one the other is moribund. Neither can be discarded from the economies of trade and industry. Coöperation between them is indispensable to the public and private well-being. They must become partners in the largest sense, each exercising its legitimate functions for a common purpose.

The perspective is somber but not at all discouraging. Every generation has its tasks, and if ours is unduly burdensome, its performance will place posterity under a larger obligation.

WHAT WE MUST DO

We must institute and enforce a rigid economy in public administration. We must unify our citizenship. We must have a common language with which all men and women must be made familiar. We must bring our institutions and traditions home to the understanding of every one. We must extend the hand of sympathy

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and encouragement to every alien in the land, give him a share in the country's affairs, and imbue him with the spirit of America. We must discourage the community life of the foreigner by teaching him the need for assimilation. We must require him to become naturalized within a fixed time after his arrival or return whence he came. We must make him learn the English tongue and become reasonably familiar with the requirements of citizenship as a candidate of naturalization. We must suppress all associations devoted to the commission of crime and the advocacy of disorder. We must radically change our immigration laws. We must have no ensign but the Stars and Stripes. We can have no companionship with the red flag of anarchy and revolution. We must assert and enforce the equal protection of the laws, do away with the mob and gibbet the lyncher. We must teach the great truth that organized and ordered society is essential to man's existence and that protection of life and property is the basis of all government worthy of the name. We must demonstrate that the strict observance of law is necessary alike to the happiness of nations and the security of communities. We must make treason odious. We must harmonize the discordant factions of industry and commerce. We must, if need be, forget party ties in the stress of tremendous obligation.

We may each and all, faithful to our traditions, and reverencing our ideals, struggle as Democrats and Republicans for the supremacy of our convictions, but we must remember that we are, above all, Americans, whose first and final duty is to perpetuate the welfare and shape the destiny of the great Republic. The ark of Democ-

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racy's covenant was committed to Anglo-Saxon keeping long ago. Our fathers have proven worthy of the trust; we, too, must keep the faith. Henceforth the United States shall be a great training ground for the growth and development of a stalwart and genuine Democracy.

IV

International Reconstruction through the League of Nations

By Hon. WILLIAM H. TAFT

The international compact which is to follow this war is to be more ambitious than any ever made before. The world is larger, the nations are more numerous, the field of war has been greater, and the political changes are to be far more extensive than the world has ever known. The only peace comparable with this is that which was made after Napoleon's fall by the monarchs who constituted the Holy Alliance. That was a League of Nations, with a high-sounding declaration of disinterestedness and love of peace. It was a failure because the real purposes which governed its formation and life were wrong and unstable. It rested on the Divine right of Kings, and its objects were to recognize dynastic claims and to establish and maintain them. It took into consideration neither the interest nor the will of the peoples under the governments which it was setting up and proposed to maintain. After it had lived a few years, it became a byword of reproach. Its example has been used to show the impractical and short life of the League of Nations which we propose.

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The difference between the Holy Alliance and our League is in the purpose and principle of its formation. Our League looks to a union of the democratic nations of the world, to the will of the peoples, expressed through their governments, as its basis and sanction. It looks to the establishment of new governments by popular choice and control. It is to be founded on justice, impartially administered, and not on the interests of Kings or Emperors or dynasties. It is to rise as a structure built upon the ashes of militarism, and it is to rest on the pillars of justice and equality and the welfare of peoples.

REARRANGING THE MAP OF EUROPE

I have referred to the Holy Alliance not only to answer an argument, but also as a precedent to prove that a treaty of peace, rearranging the map of Europe, cannot be made without a League of Nations. Think of what this present peace has to compass. We can realize it by considering the points of President Wilson's message of January 8, which make an outline of the terms of peace which are to be fixed.

In the first place, we are to have some disposition of the German colonies, in accord with the interests of the people who live in them. Germany has made such cruel despotisms of her colonies that it is quite likely the Allies will insist that they shall be put under some other Power more to be trusted in securing the welfare of backward peoples.

Thus we are to set up a new government in East and West Africa, in Australasia, in China, and in some of the islands of the Pacific. Then we are to deal with Russia.

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HON. WILLIAM HOWARD TAFT

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If we separate from her the Ukraine and the Baltic Provinces and Finland, there are three or four new nations to establish. Great Russia is now under the domination of bloody anarchists, and we must free her and give to her good people the opportunity to organize and establish a free and useful government. This is a problem of the utmost complexity. In Austria we are to create a nation of the Czecho-Slavs, embracing Bohemia, Moravia, and Slovakia. We are to cut this nation out of the Dual Empire, and take it from Austria and from Hungary. We are to do the same thing with the Jugo-Slavs on the south of Austria and Hungary and establish new boundaries there.

We are to settle the boundaries of the Balkans. We are likely to give Rumania to the Rumanians of Hungary and of Bessarabia. We are to establish a new state of Poland out of the Russian, Austrian, and German Poland, and we are to give this state access to the sea. The fixing of those boundaries and the determination of the method of reaching the sea present issues of the utmost delicacy and difficulty. We are to determine the status of Constantinople and the small tract now known as Turkey in Europe. We are to fix the limits of Turkey in Asia, to set up a new government in Palestine, to recognize a new government of Arabia, to father, it may be, the creation of a new state in the Caucasus, and to establish the freedom of Armenia.

WHAT WILL BE NECESSARY TO ACCOMPLISH PERMANENT PEACE

The mere recital of them is most convincing of the intricacy of these problems. The Congress of Nations

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will probably find it impossible definitely to settle them all. It will have to create commissions, with judicial and conciliatory powers, able to devote time enough to make proper investigation and thus to reach just, defensible, and practical conclusions. . . .

We know that we have got to rearrange the map of Europe, and, in so far as it is practicable in that arrangement, to follow popular choice of the peoples to be governed. But such a flowing phrase will not settle the difficulty. It is merely a general principle that in its actual application often does not offer a completely satisfactory solution; and after the Congress shall have made the decisions, sore places will be left, local enmities will arise, and if that permanent peace which justifies the war is to be obtained, the world compact must itself contain the machinery for settlement of such inevitable disputes.

In other words, we don't have to argue in favor of a League to Enforce Peace — the nations which enter this Congress cannot do otherwise than establish it. It faces them as the only possible way to achieve their object.

JUDGMENTS MUST BE CARRIED OUT BY FORCE, IF NECESSARY

Germany and Austria and Bulgaria and Turkey are to indemnify the countries which they have outraged and devastated. Commissions must be created, judicial in their nature, to pass upon what the amount of the indemnity shall be, and then an international force must exist to levy execution if necessary for the judgment upon the countries whose criminal torts are to be indemnified. We must, therefore, not only have, as a

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result of the Congress, the machinery of justice and conciliation, but we must retain a combined military force of the Allies and victors to see to it that these just judgments are carried out.

Moreover, the Congress cannot meet without enlarging the scope of international law and making more definite its provisions. The very functions which the Congress is to exercise in fixing the terms of peace will necessitate a statement of the principles upon which it has been guided. That will lead to a broadening of the scope of existing principles of international law and a greater variety in their applications. Therefore, whether those who are in the Congress wish it or not, they cannot solve the problems which are set before them without adopting the principles of our League to Enforce Peace in its four planks in our platform — a court, a Commission of Conciliation, enforcement of submission, and a Legislative International Congress to make International Law.

They will have to create such machinery for the administration and enforcement of the treaty as to the Central Powers, the new nations created, and Russia. Having gone so far, as they must, can they fail to extend their work only a little to include the settlement of all future differences between all the nations that are parties to the League? A League for such future purposes will be no more difficult to make and maintain than the League into which they are driven by the necessities of the situation. The stars in their course have been fighting for the achievement of our purpose and the foundation of this League, and the doubters may not escape it.

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ARGUMENTS THAT ARE SET UP AGAINST A LEAGUE

In the first place, a good many have created a straw League and have knocked it down without difficulty. They have attributed to us the views and principles held by extremists, who perhaps support our League, but whose extreme views we don't adopt or need to adopt. Thus it is said that we favor internationalism, that we are opposed to nationalism, that we wish to dilute the patriotic spirit into a vague universal brotherhood. That there are socialists and others who entertain this view, and who perhaps support the League to Enforce Peace, may be true; but the assumption that such views are necessary to a consistent support of the League is entirely without warrant.

I believe in nationalism and patriotism, as distinguished from universal brotherhood, as firmly as any one can. I believe that the national spirit and the patriotic love of country are as essential in the progress of the world as the family and the love of family are essential in domestic communities. But as the family and the love of family are not inconsistent with the love of country, but only strengthen it, so a proper, pure, and patriotic nationalism stimulates a sense of international justice and does not detract in any way from the spirit of universal brotherhood.

Again it is said that in the League we injure nationalism by abridging the sovereignty of our country in that we are to yield to an international council or an international tribunal, in which we only have one representative, the decision of questions of justice and of national policy. Sovereignty is a matter of definition. The

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League does not contemplate the slightest interference with the internal government of any country. The League does not propose to interfere, except where the claims of right of one country clash with the claims of right of another. To submit such claims of right to an impartial tribunal no more interferes with the sovereignty of a nation than the submission of an individual to a hearing and decree of court interferes with his liberty. The League is merely introducing into the world's sphere liberty of action regulated by law, instead of license uncontrolled except by the greed and passion of the individual nation.

THE RIGHT TO DECLARE WAR AND ARMAMENT QUESTIONS

It is said that we are giving up our right to make war or to withhold from making it. We cannot take away from our Congress the right to declare war, and no one would wish to do so. But that is no reason why we should not enter into an agreement to defend the impartial judgments of the League and to repress palpable violations of its covenants by those who have entered it. The question must always be for the decision of Congress whether our obligations under the League require us in honor to make war.

Then the question is as to disarmament. The fourth of the President's fourteen points contains the provision that adequate guaranties must be given and taken that national armaments will be reduced to the lowest point consistent with domestic safety.

That represents an aim and aspiration, but it cannot have immediate and practical operation. We are the victors in this war which grew out of the extensive arma-

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ment and military power of Germany. It will be a legitimate condition of peace exacted by the victors that Germany shall substantially disarm and leave the Allied Powers in a position with armament sufficient to keep Germany within law and right. How far disarmament can be carried must be determined by experience. Disarmament will be accomplished effectively in great measure by the economic pressure that will be felt intensely by all nations after this war, secondly by such mutual covenants and general supervision of an international council as experience may dictate, and third and ultimately by a sense of security in the successful operation of this League to Enforce Peace. For the time being the people who are afraid that the United States will make itself helpless to defend its rights against unjust aggression are unduly exercised.

Any practical League of Nations will require the United States to maintain a potential military force sufficient to comply promptly with its obligations to contribute to an international army whenever called upon for League purposes. Such obligation may well be made the basis and the reason for universal training of youth, in accord with the Australian or the Swiss system — a system that trains youth for a year physically and mentally and gives them a proper sense of duty and obligation to the state.

SHALL GERMANY BE ACCEPTED IN THE LEAGUE?

There may be a difference of opinion as to whether we should have such a system, but there is nothing in the League to Enforce Peace and its principles which prevents its adoption, and either that or some other means

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of maintaining an adequate force to discharge our obligations under a League must be found. While we should lay broad the foundations for a League looking as far into the future as we may, we must trust to the future to work out the application of those principles, to amend the details of our machinery and to adapt it to the lessons of experience. We know that the real hope of reducing armament and keeping it down is the maintenance of a League which shall insure justice and apply in its aid the major force of the world. As the operation of that League is more and more acquiesced in, the possibility of the safe reduction of armaments in all countries will become apparent to all and will be realized.

Another question that has agitated a good many people is whether we should let Germany into the League. That depends upon whether Germany makes herself fit for the League. If she gets rid of the Hohenzollerns, if she establishes a real popular government, if she shows by her national policies that she has acted on the lessons which the war should teach her, indeed if she brings forth works meet for repentance, then of course we ought to admit her and encourage her by putting her on an equality with other nations and by using her influence and her power to make the League more effective. The long drawn out payment of indemnities will keep her in a chastened condition and will keep alive in her mind the evils of militarism.

I don't now discuss the difference in the obligations of the members of such a League as between the great Powers and the lesser Powers. All should have a voice in the general policy of the League, but it is well worthy

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of consideration whether with the burden of enforcing the obligations of the League by military force which the greater Powers must carry they should not have larger voice in executive control. As they are the only ones likely to be able to create the major force of the world, they may reasonably claim a right to more administrative power.

THE RIGHTS OF THE SMALLER NATIONS

The rights of the smaller nations will be protected in the Congress in which they have a full voice, and by the impartial judgments of the judicial tribunals and the recommendations of the Commission of Conciliation. There is not the slightest likelihood that the mere executive control by the larger Powers would lead to oppression of the smaller Powers, because should selfishness disclose itself in one of the great Powers, we could be confident of the wish of the other great Powers to repress it.

One of the difficulties in the maintenance of a League of all nations will be the instability of the governments of its members if the League embraces all nations. On the whole, the greater Powers are the more stable and the more responsible. It is well therefore that upon them shall fall the chief executive responsibility. While the principles of the League would prevent interference with the internal governments as a general rule, the utter instability of a government might authorize an attempt to stabilize it.

The possibilities of many-sided world benefit from a League after it is well established and is working smoothly, it is hard to overestimate. For the present,

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as the result of this Congress of Nations to meet and settle the terms of peace, we may well be content to have a League established on broad lines, with principles firmly and clearly stated, and with constructive provisions for amendment as experience shall indicate their necessity. I verily believe we are in sight of the Promised Land. I hope we may not be denied its enjoyment.

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CHAPTER II

GOVERNMENT AND BIG BUSINESS

I

Dangers in Autocratic Authority and Government Ownership

By Senator JAMES E. WATSON

Great questions have the habit of reappearing in human history. They reappear among all peoples and in all races; and since the establishment of this Republic we have been confronted at many periods with a tendency on the one hand to confer greater power upon the President, and on the other to confer greater authority upon the majority.

In my judgment we are confronted with a condition that in the first place will add to the autocratic authority of one man, and on the other hand will give increasing power to the majority. These institutions of ours are based upon four fundamentals. They are, first, individual rights, and to preserve these individual rights a government threefold in character — legislative, executive, and judicial. The four pillars of enduring representative government, founded upon a constitution and preserved by its provisions, are, therefore, individual rights, the power of the legislature, the power of the executive, and the power of the courts. If either one of these pillars be pulled down, by any blind Sam-

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son, the whole edifice will crumble and fall to ruin. Therefore, when we consider the result of giving increased power either to the President or to the people of the United States, we threaten the invasion of the sphere of representative government from both sides.

What do I mean by that proposition? We all know that for many years in this country the inevitable, aye, the well-nigh irresistible, tendency has been to augment the authority of the President. This has resulted, first, because of the general demand of the people, who almost universally believe in the President and insist on his sole leadership; and, second, because of his being the titular head of the party in power, and the general desire of members of Congress to follow his leadership for political reasons. This policy has been pursued both in peace and in war until now the President wields a power unprecedented in history.

This power was inaugurated when the railroads were taken over; and, unless Congress rose to check the onrushing tide, all the factories in the country engaged in the manufacture of munitions or war supplies would be laid hold of, and all the industries of the nation, save alone agriculture, would soon be under complete governmental control, and that would be so regulated as to be dominated by the bureaucracy at the National Capital.

Therefore, unless we were willing to march to the end along the highway upon which we have set out it would mean a fight to the death with national and international socialism when the tides of war shall have rolled away. Four millions of people on the payroll, four millions of Government employees at the close of the war,

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four millions of persons under direct obligation to the administration — would constitute a tremendous organization to transform governmental control in time of war to governmental ownership in time of peace; and, if we are to credit Secretaries Baker, Daniels, and Burleson, this is the avowed object of it all.

THE DANGERS IN GOVERNMENT OWNERSHIP

If it be stated that this prediction is only an idle dream, I answer that this use of these forces has already begun in this country and will become more and more dangerous as the number of industries under Government control is increased. "There is not room enough in this great world for the German flag and the American flag," remarked Secretary McAdoo at El Paso, Tex., to a meeting of railroad employees, on the 17th of April, "and we are going to make the American flag fly over Berlin before we get through." And then he continued: "The railroads must function 150 per cent, for we are not employees of the railroad companies but of Uncle Sam, enlisted in the great legion of liberty." He asked the men not to become impatient because of the delay of fixing of the new wage schedule, adding that if a raise was granted to the railroad men it would be retroactive and they would then be able to buy Liberty bonds.

Then came this significant statement, which points the moral to my argument, in which he says:

"You are all my boys, and I don't intend to let anyone kick you around, for I will defend you to the limit when you are right, and you won't go wrong I am sure."

That was as straight a bid for control as was ever made

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anywhere in this land. Suppose there were 4,000,000 of them, cannot any one see the power, cannot anyone apprehend the danger? And what was the inevitable result? Scarcely had his words ceased to echo throughout the country until there was a perceptible letting down in efficiency among railroad men.

Everybody knows that this is the situation with the railroads, and everybody must know, too, that the governmental control of the lines will mean a greater degree of inefficiency in their operation, just as it does wherever the Government controls. And this movement for government ownership, like a ball of snow, gathers force as it is pushed along.

No sooner had the railroads been taken over than wages were increased $300,000,000.

CONGRESSIONAL AND PRESIDENTIAL POWERS DEFINED

If it be said that Congress has the right to raise and equip armies, I concur. That is not a presidential function; that is wholly a legislative function. Congress has the right to establish and maintain navies. This is entirely within the purview of Congressional authority. But after we have raised armies, after we have established navies, the only point of contact that the legislative branch has with the Army and the Navy is to raise revenue to support them. After being raised and established, the Army and the Navy pass over into the executive sphere of action free from any influence of legislative authority.

But while that is true as to the military establishment, it is not essentially true as to the industry of the country. Congress alone has power to regulate commerce. The

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President, for instance, cannot take charge of the mines without the authority of Congress. It is the legislative function to regulate them as well as agriculture and manufacturing and transportation and navigation. That is the province of the legislative body. The President has no more right to invade that sphere without our invitation than we have to invade his sphere and determine upon the location of troops or the disposition of navies.

CONGRESS HAS RELEASED ITS POWER

Financial and economic problems are not to be controlled by one man in our system of government, except in the case of most exigent necessity. Congress alone has the right to assume the initiative in dealing with these problems.

Therefore, when the President sends down word in some indirect and roundabout way that he would like to have control of all the telegraph and all telephone lines of the country, it is up to me to decide for myself as to whether or not that is a wise proposition. I am under no obligation to obey that voice unless it appeals to my conscience and addresses itself to my judgment, because Congress controls the Civil Establishment of the United States.

It is very truth, the present Congress has conferred upon him greater authority than is exercised by any other living man, and, in fact, has transferred to him practically all the power it has, save alone the right to raise revenue.

Under these conditions, with the administration demanding and receiving such grants of power, is it

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conceivable that, if mistakes are made or if errors are committed, that we, the representatives of the people, are to sit still with sealed lips and bridled tongues and offer no suggestion as to improvements or betterments?

And in dealing with problems of such vast moment and consequence, is it thinkable that any one is to be branded as a traitor or as a copperhead because he does not immediately accept any intimation, however diluted, that may emanate from the White House?

I resent such imputation. It is unworthy of any one who holds a seat in this exalted place.

But we hear on every hand the resounding cry, "Stand by the President!" and we shall hear more of it in the coming days. But let it be understood once for all that if this means to stand by him as the constitutional head of the Government, it will find a ready response throughout the land. If it means to stand by him as Commander in Chief of the military forces of the nation, it will be indorsed by every patriot beneath the flag. But if it means to stand by him as a politician and a partisan, it will be resented by a multitude throughout the Union who do not believe in taking advantage of so terrible a situation as the present one to reap a partisan harvest. If it means to stand by him as the head of a party organization, I shall oppose it while I have voice to sound forth my protest.

Men come and men go, but institutions remain. Nations come; they play their part upon the stage and pass into history, but fundamentals abide. I look away beyond Woodrow Wilson as an individual, to the Constitution, the country, and the flag, and when they tell me to "Stand by the President" I construe that to mean

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to stand by the Constitution, stand by the country, and stand by the flag, and stand by Woodrow Wilson as President of the United States, clothed with executive power, representing them all. That is my doctrine, and by that I am willing to either stand or fall.

We now have the Government control of railroads, and if to that we are to add a like control of telegraphs and telephones, of express companies, and of mines, we shall have on the payroll 4,000,000 of people, subject to all the temptations of American political life.

Germany is the most highly socialized nation in the world. The German Government owned all the railroads; it owned all the telegraph and telephone lines; it owned the express companies; it owned or controlled all the lines of steamboats. Their education was all conducted at public expense; their great free laboratories were unexcelled in the world; bounties were paid on every hand, to her inventors, her scientists, and her philosophers. Germany's laws touching workmen's compensation, employers' liability, old-age pensions, and all such similar paternalistic legislation, made for the highest degree of socialization ever before known on this earth.

But how was it all wielded? By the one man at the head of it all, the one tyrant who governed it all and controlled it all, and who wielded that immense organization because this socialized state enabled him to do it.

WE ARE APPROACHING THE GERMAN SYSTEM OF CONTROL

We are coming nearer and nearer every day to that system in this nation, for if we pursue to the limit the policies proposed it will be a question of a very few years

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until a President will be able to force his reëlection for life: first, the autocratic authority of one man; second, the enlarged power of the people, the two acting together and reacting upon each other and constantly weakening the legislative branch of the Government.

What reason is there why this branch of our Government should be weakened or its usefulness in any wise impaired? Why should its foundations be undermined? No other nation boasts of such progress as ours since this system was adopted. Under these institutions where liberty is regulated by law and where the Constitution guarantees the largest measure of individual rights with the largest measure of community rights, we have gone from success to triumph, and from triumph to glory, and are enabled to-day to shoulder the mighty burdens of the world. Unless, therefore, there be some very urgent reason, some imperative demand, for a change in our form of government, no excuse can be offered for the adoption of the policy of government ownership proposed by all the socialists of the day.

I believe that it opens up a highway which, if we tread it, will lead finally to the overthrow of this Republic. Our boys, when they come back, should come back to a republic, come back to a nation which believes in liberty and in equality and in fraternity.

II

Economic Aspects of Peace Readjustments

By Hon. CHARLES EVANS HUGHES

We emerge from the war with a new national consciousness; with a consciousness of power stimulated by

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extraordinary effort; with a consciousness of the possibility and potency of coöperation and endeavor to an extent previously undreamed of.

Gains like these should be abiding, for they mark not only increase of knowledge and the sharpening of the tools of the mind, but an improvement in attitude and appreciation. The new vision is never lost. We are unworthy of our victory, if we look forward with timidity. This is the hour and power of light, not of darkness. We have not defeated an insensate ambition, to become the victims of our own inability to govern ourselves. We have made the world safe for democracy, but democracy is not a phrase, or a form, but a life, and what shall that life be?

Some anxiously ask, "What has become of our form of government?" In saving the world, have we lost our Republic? The astounding spectacle of centralized control which we have witnessed has confused many and turned the heads of some. But this, for the most part, has been the manifestation of the Republic in arms, fighting as a unit, with powers essential to self-preservation, which the Constitution not only did not deny but itself conferred. So far as we have harnessed our strength for war, we were acting under the Constitution and not in violation of it. But wherever, in the desire to take advantage of the situation for the purpose of fastening some new policy upon the country, there has been resort to arbitrary power through acts unjustified by real or substantial relation to a state of actual war, such acts will receive the condemnation they deserve when they are brought to the determination of the proper tribunals.

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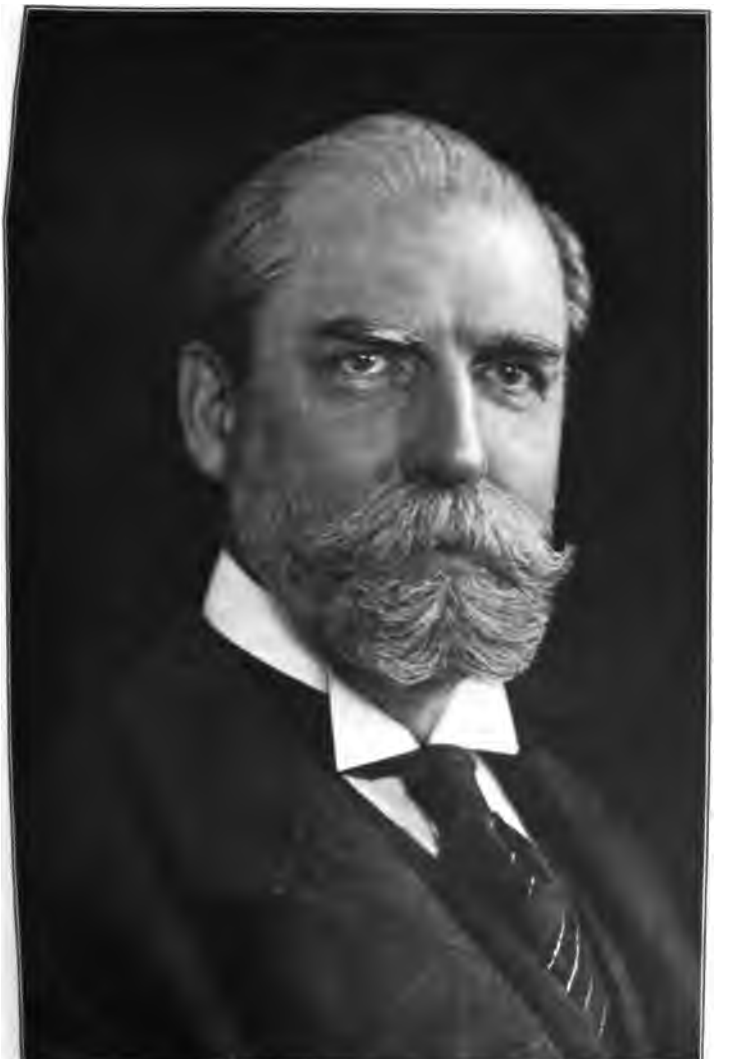

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HON. CHARLES EVANS HUGHES

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WAR POWERS MUST NOT BE USED TO CONTROL PEACE CONDITIONS

With the ending of the war we find ourselves with the familiar constitutional privileges and restrictions, and it behooves officers of Government to realize that to make a pretense of military exigency for ulterior purposes, when military necessity has ceased, is simply an abuse of power which will not be permitted to escape censure. *It is undoubtedly true that whenever, during the war, extraordinary powers were fittingly exercised and governmental control was assumed for war purposes, the readjustment to conditions of peace must of course be effected gradually and with the circumspection essential to the protection of all the public and private interests involved.* But the immediate purpose should be to readjust as soon as may be, not to use war powers to control peace conditions, a proceeding essentially vicious and constituting the most serious offense against our institutions. What changes we shall desire to make in order to suit new conditions which follow the war we must make deliberately after discussion and with proper authorization. Peace policies must be prosecuted with the authority and distribution of powers and according to the methods which pertain to peace.

The question of government ownership and operation is a severely practical one. Of course, there are those whose interests lie simply in extending the activities of Government so as to embrace all industry and who are endeavoring to proceed along what they conceive to be the line of the least resistance in trying to keep in government hands in time of peace what has been taken temporarily by reason of the exigencies of war. The in-

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stinct of the American people I believe can be trusted to thwart the insidious plans of these enemies of liberty, who if given their way would not stop short of a tyranny which, whatever name it might bear, would leave little room for preference as compared with Prussianism. Passing the ambitions — which are not to be ignored — of these pseudo-democrats, the question of the government ownership and operation of railroads and other instrumentalities of communication is really one of efficiency and political control. So far as investment is concerned, it will exist in either case. Whether corporate bonds and stocks, or the fair value of the properties in government bonds with guaranteed returns, are held, makes little difference from the standpoint of investment. Perhaps the latter might be preferred by many. The important question is not that of investment. It goes deeper and touches the service to the public and the soundness of our political life.

Along with this is the grave question of putting the direct operation of these great activities unnecessarily under political control. That is the most serious question. The dovetailing of Government with business is apt to injure both. Such is the havoc wrought by political machines, demanding that position and profit go with political favor and as political reward. We shall have quite enough of this sort of thing in the necessary extension of governmental activities without courting additional difficulties.

INEFFICIENCY THE BLIGHT OF PUBLIC UNDERTAKINGS

It is regrettable, but it is true, that governmental enterprise tends constantly to inefficiency. It would,

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from any point of view, be unsafe to take the experience of the last year as a guide. The splendid stimulus of the War Spirit put us at our best. The general disposition to serve and to be content made conditions exceptionally advantageous for governmental experiment. Again, the situation in the past year with respect to the movement of traffic has been abnormal. But, apart from these considerations, the experiment would not appear to afford a basis for expecting a net balance of benefits in government ownership and management. I do not mean to imply that the record of private enterprise is an agreeable one, but on a fair examination of conditions where governmental management has been maintained, I believe that from the standpoint of efficiency the comparison favors private enterprises and that in this country we cannot afford to ignore the fact that inefficiency is the blight upon our public undertakings. It cannot fail to be observed that even in connection with the war, despite the endeavor and patriotic impulse of countless workers, inefficiency in important fields of activity has been notorious. The notion that the conduct of business by Government tends to be efficient is a superstition cherished by those who either know nothing of Government or know nothing of business. The tendency is strongly the other way.

There is just as much danger to our prosperity in undue decentralization as in over-centralization. Take our railroads as an example. If we are not to have government ownership, we must have a sensible plan of regulation. We must have a plan of regulation which will permit sound credit and growth, which will stabilize securities and offer inducements for in-

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vestment, while insuring adequate service at reasonable rates. The democracy saved by a world war ought to be able to supervise great undertakings in a fashion which will really serve the common interest. Regulation which does not promote efficiency is self-condemned; and with respect to interstate carriers, State lines are not economic lines. Congress should provide, as it has power to provide — aside from war powers — a comprehensive plan of regulation with relation to districts corresponding to the broad divisions of actual operations, and the entire field of the activities of interstate carriers should be covered appropriately by recognition of the interdependence of through and local rates, and of the interblending of operations in the conduct of interstate and local business, so that in the exercise of the dominant power of Congress for the protection of interstate commerce, all conflicting regulations would be avoided and the basis of efficiency secured.

HOW TO SAVE OUR PROSPERITY

But in endeavoring to escape the evils which are likely to attend upon government ownership and management, it is folly to go to the other extreme and to sacrifice the advantages and economy which coöperation in these activities may afford. Reasonable opportunity for concert under government supervision is necessary to afford the best service and prevent waste, and if we have learned this lesson from recent experiences it will be a great gain.

And again, if we are to look forward to the common prosperity and lay the foundation for the individual betterment of men, women, and children which cannot be

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secured except by success in production and exchange, we must give a freer course to coöperation in industry. The war has compelled coöperation, and the Government, under this compulsion, has fostered what is previously denounced as criminal. The conduct which had been condemned by the law as a public offense was found to be necessary for the salvation of the Republic. But the public need so dramatically disclosed by the war is not, in this respect, removed by the termination of the war. Coöperation is just as necessary to secure the full benefits of peace as it was to meet the exigencies of war. And without it we shall miss the great prosperity and advance in trade to which with our skill and energy we are entitled.

We have had the experience of many years in trying to impose rules of uncertain scope with respect to restraint of trade. Lawyers have been unable to tell their clients whether proposed conduct would elicit the praise due to a conspicuous business success with corresponding gain to the community, or would land them in jail. Of course we cannot go forth to win our proper place in the world's trade under such uncertainties and restrictions. And it is idle to talk of removing economic barriers abroad while maintaining them at home. In the first place, the mere size of a business does not warrant its condemnation. Mere size may carry the germs of dissolution, but if it means soundness of organization and economic strength we need it, provided there is proper supervision to prevent abuses. Wrongdoing, and not a mere conception of power, should be the basis of governmental restraint and prohibition. All power that can be used can be mischievous. If we

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aim at actual wrongs, we shall be more successful than if we attack bogies. Define and punish wrong, but free commerce from being hampered by fear of constructive evils.

Is it not entirely possible to maintain governmental supervision which will give reasonable opportunity for doing reasonable things instead of seeking to maintain rules of conduct which shackle American enterprise? Neither labor nor the general public gains anything from denying free scope to honest business, and to secure this legitimate freedom it should be the function of Government to provide intelligent supervision which will aim at the detection and punishment of abuses and not at the crippling of opportunities rightly used. The Webb bill is but a slight advance. It needs the background of large undertakings and wide experience.

HAVE WE THE HUN SPIRIT?

But whatever freedom it may have, American industry will not thrive unless it is instinct with the spirit of justice. We have fought this war to substitute reason for force. We love our Republic because it represents to us the promise of the rule of reason. There is no assurance of stability in industry if it is dominated by the selfish profiteer, or by men who regard human beings as mere economic units, or by men, whether employers or employees, who live with the ambition to be little Kaisers ruling by their little divine right, whether of wealth or of "pull" or of any position of power. If we are to establish peace within our own borders, we must coöperate to destroy the Hunnish spirit of tyranny wherever we find it.

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There are no difficulties in the field of industry which cannot be solved if we insist on methods of justice. The whole international aim is to enthrone justice. How shall we hope to attain this end among the nations if we cannot establish justice in our own community?

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CHAPTER III

PROBLEM OF THE RAILROADS—FROM THE GOVERNMENT'S VIEWPOINT

THE policy we shall adopt toward our railroads is unquestionably our foremost reconstruction problem. For these great arteries of travel and commerce, whose employees number a tenth of our total population, represent a larger investment of money and labor than any other industry. Billions of dollars of private, corporate, and banking capital is tied up in American railroad bonds and shares, and the number of investors in this class of security, here and abroad, is legion. Hence the economic disturbance occasioned by their being taken over by the Government. But Peace has come, and now the problem is — shall we return the roads to their owners; retain them, as Mr. McAdoo has suggested, five years longer — or altogether?

This is the question which President Wilson said in his Message to Congress gave him the "greatest concern," but as to which he "had no confident judgment of his own," and he asked:

I

SOME NEW RAILROAD POLICY NEEDED

BY PRESIDENT WILSON

What is it right that we should do with the railroads, in the interest of the public and in fairness to their owners? . . .

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We can simply release the roads and go back to the old conditions of private management, unrestricted competition, and multiform regulation by both State and Federal authorities; or we can go to the opposite extreme and establish complete control, accompanied, if necessary, by actual Government ownership; or we can adopt an intermediate course of modified private control, under a more unified and affirmative public regulation and under such alterations of the law as will permit wasteful competition to be avoided and a considerable degree of unification of administration to be effected, as, for example, by regional corporations, under which the railways of definable areas would be in effect combined in single systems.

The one conclusion that I am ready to state with confidence is that it would be a disservice alike to the country and to the owners of the railroads to return to the old conditions unmodified. Those are conditions of restraint without development. There is nothing affirmative or helpful about them. What the country chiefly needs is that all its means of transportation should be developed, its railways, its waterways, its highways, and its countryside roads. Some new element of policy, therefore, is absolutely necessary — necessary for the service of the public, necessary for the release of credit to those who are administering the railways, necessary for the protection of their security holders.

WHY GOVERNMENT TOOK CONTROL

Why the railroads were taken over is explained in former Director-General McAdoo's last report. He

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alleges, as the reasons, inadequacy of terminal facilities, lack of coördination and use of those in existence; a paralysis of traffic in the falls of 1916 and 1917, in addition to serious car shortages. These difficulties were accentuated by inability to get promptly new locomotives which had been ordered. There were also labor troubles and the financial situation of many railroads was very precarious. All factors converged to bring about a prolonged and serious transportation paralysis. So the President took possession and control of the railroads on December 28, 1917.

II

The Administration Five-Year Extension Plan

By Hon. WILLIAM G. McADOO

On December 11, 1918, just before resigning his post as Director General, Mr. McAdoo in a letter to Judge T. W. Sims, Chairman of the House Interstate and Foreign Commerce Committee, stated his views reflecting the policy of the Administration, on the railroad problem. He said in part:

There is one and to my mind only one practicable and wise alternative, and that is to extend the period of Federal control from the one year and nine months provided by the present law to five years, or until the first day of January, 1924. This extension would take the railroad question out of politics for a reasonable period. It would give composure to railroad officers and employees. It would admit of the preparation and carrying out of a comprehensive program of improvements of the railroads and their terminal facilities which

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would immensely increase the efficiency of the transport machine. It would put back of the railroads the credit of the United States during the five-year period, so that the financing of these improvements could be successfully carried out. It would offer the necessary opportunity under proper conditions to test the value of unified control, and the experience thus gained would of itself indicate the permanent solution of the railroad problem.

The American people have a right to this test. They should not be denied it. It is to their interest that it should be done. In my opinion, it is the only practicable and reasonable method of determining the right solution of this grave economic problem. . . .

I hope that the Congress in its wisdom will grant a five-year period for a test of unified railroad operation under proper provisions of law which will make that test effective and at the same time take the railroad question out of politics while the test is being made. Unless this is done, I do not hesitate to say the railroads should be returned to private ownership at the earliest possible moment. The President has given me permission to say that this conclusion accords with his own view of the matter.

III

Private Ownership under Close Federal Control after Five Years

By DIRECTOR-GENERAL HINES

Of the Railroad Administration

From every standpoint, I believe it is in the public interest that there should be an extension of control

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to Jan. 1, 1924. This will insure public service in the meantime under the best conditions of public control, instead of under the worst conditions of private control.

It will give opportunity for adoption of a permanent solution under conditions most favorable to perfectly fair consideration of every proposal, instead of forcing a solution in a period when the advocates of a greater social control are at a temporary disadvantage. It will make it practicable to have the results of normal operations under Government control, which, in my opinion, will not be practicable prior to March, 1921, when the results of the year 1920, as well as the results of the year 1919, will be available.

It will relieve labor of the highly unfair inferences that are now drawn from the costs of railroad operation under Government control. It will give an opportunity to give a fair test to the proper coördination of railroads and inland waterways. It will not prejudice any legitimate interest in any way. Meantime, it will leave the President in a position where he can perform his primary executive function involved, that of rendering the transportation service under favorable conditions, rather than under conditions of the most unfavorable and difficult character.

CAPITALIZED AT REAL VALUE

It may be said that my observations necessarily lead to Government ownership and operation. I do not think; so I believe all the objects which I think must be achieved to obtain a permanent solution can be accomplished through the creation of a comparatively

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few railroad companies which will have capitalization equal only to the real value of the property, and which will have a moderate guaranteed return with the right to participate moderately in any additional profits.

My prediction is that the more this subject is discussed the more apparent it will become that the advantages of the proposed plan of private management through the multiplicity of old railroad corporations is wholly illusory and ought not to be adopted, and that the subject must be dealt with in the radical and fundamental way which I have pointed out.

I am forced to the conclusion either that there will be no comprehensive legislation in the next two years, or that any legislation adopted will be as much like the present system as to offer no hope for a permanent solution. If, therefore, my opinion is asked as to the propriety of retaining the railroads under Federal control to facilitate a satisfactory, permanent solution, my reply is that from that standpoint we had better terminate the control and go back promptly to the old system, or we should extend the control long enough to admit of an adequate opportunity to adopt a radical and new system which will really bring about a permanent solution.

I do not personally believe in Government ownership. I believe there can be a form of radically reconstructed private ownership with such close Government supervision, including Government representation on the boards of directors, as will give the public and labor all the benefits of Government ownership and at the same time will preserve the benefits of private and self-interested initiative and will avoid the political difficulties

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which perhaps are inseparable from Government ownership.

I do not believe the plans now before the committee which contemplate turning the railroads back to management by the numerous railroad corporations of the past will meet the fundamental difficulties, and I believe the more thoroughly the subject is explored the more this will be appreciated, and that it will develop by degrees that a far more radical treatment will be needed and that this treatment cannot be accorded in the crowded period of the next two years.

SPEAKS ONLY FOR HIMSELF

On account of my responsibility as Director General, I believe it will be excusable in me to lay before you my personal views as to the permanent solution of the railroad problem. I must emphasize that I speak only for myself. I do not conceive it to be my function to attempt to bring about one solution rather than another, but I feel that convictions which are the result of long years of contact with the subject may be of some value as emphasizing some of the leading requirements which I believe must be fairly faced and met before we can reach a solution which will be reasonably satisfactory to the American public.

These conclusions on my part constitute a process of evolution. I started out believing that practically no public regulation was necessary. I came to appreciate the necessity and value of the strictest public regulation. For a long time I believed that the great number of railroad companies in this country, despite their differences in circumstances and ability, could

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work out their own salvation and render an adequate public service. I have been driven, however, by my contact with the subject to the conviction that this is not the case and that there must be a radical reconstruction of the whole scheme of private ownership and management if we are to avoid Government ownership. . . .

I wish to remove, if possible, any thought that my views on the duration of Federal control involve either directly or indirectly, nearly or remotely, the notion that Congress can or ought to be influenced to order an extension of Federal control for fear that unless the extension shall be granted the railroads will be relinquished without due regard to the public interest. I view the question absolutely from the standpoint of the public interest. I believe I will be able to show that unless a reasonable extension shall be granted it will be contrary to the public interest to hold the railroads for the full twenty-one months. But I concede fully and without qualification that the procedure is to be tested solely by the public interest, and it seems to me unthinkable that any suggestion of early relinquishment should be put forward as a leverage for forcing an extension.

RAILROAD EARNINGS IN 1918 SHOW BIG DECREASE

	Year Ending Dec. 31, 1918.			
	Gross.	Increase.	Net.	Decrease.
Atchison, Topeka & Santa Fé	$162,369,130	$21,390,194	$40,708,335	$4,684,340
Baltimore & Ohio . . .	174,191,448	40,578,127	8,795,292	186,646
Chesapeake & Ohio . .	73,720,797	19,077,003	17,645,994	2,764,579
Chicago & Northwestern	127,295,678	19,030,695	12,272,957	12,177,980

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RAILROAD EARNINGS IN 1918 SHOW BIG DECREASE (*Continued*)

	Year Ending Dec. 31, 1918.			
	Gross.	Increase.	Net.	Decrease.
Chicago, Milwaukee & St. Paul	132,894,455	19,155,253	4,467,774	18,035,778
Denver & Rio Grande	31,356,214	2,929,076	4,858,526	2,603,740
Delaware, Lackawanna & Western	68,740,076	11,528,852	15,853,905	2,603,740
Erie	87,855,461	16,873,242	*2,147,226	9,914,981
Great Northern	100,661,067	12,126,904	10,639,228	12,348,318
Illinois Central	107,320,262	20,175,474	12,085,073	7,922,009
Lehigh Valley	65,586,769	12,228,323	6,364,382	3,211,614
Louisville & Nashville	101,392,792	24,485,405	18,500.668	2,203,287
New York Central	294,191,313	55,861,514	50,299,060	6,353,023
New Haven	102,294,212	16,509,319	11,315,532	9,156,535
Norfolk & Western	82,004,034	16,093,792	17,510,839	4,275,418
Pennsylvania Railroad	367,414,694	77,180,602	23,149,178	31,447,052
Seaboard	38,923,106	8,577,960	4,096,959	3,140,922
Southern Pacific	153,948,641	21,691,085	33,127,096	9,363,250
Southern Railway	126,574,297	35,857,728	30,976,625	3,933,752
Union Pacific	98,443,365	21,454,942	35,114,379	7,484,812
Wabash	48,246,411	7,774,413	6,790,910	3,752,972

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CHAPTER IV

EXPERT OPINION ON THE RAILROAD QUESTION

I

Why the Roads Cannot Be Turned Back

By Congressman SIMEON D. FESS

The Ohio Congressman, Simeon D. Fess, chairman of the Republican National Congressional Committee and a candidate for Speaker of the House, has the courage of his convictions on several reconstruction problems, especially railroads. In his view the law compels competition, and:

The roads cannot be turned back to their owners and operated successfully under the limitations of law as it now stands. The owners know that as well or better than any one else. The Sherman law compels competition when every consideration of economy and efficiency argues concentration. This prevents not only maximum service, but entails maximum economy as well as efficiency.

Laws like the Adamson bill of August, 1916, deny the owner the right of contract by fixing the scale of wages the owners must pay for operation without regard to the contract existing between employer and employee. This virtually takes from the responsible party to the contract the right to determine the cost of operation of his property.

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On the other hand, the Interstate Commerce Commission, exercising its power, denies the obligor to the contract the right to fix the rate of transportation, which is the source of income out of which must be paid the expense of operation.

In this way one governmental body fixes the outlay and another governmental body fixes the income, and the owners are left to pay the bills as best they can. The properties must inevitably deteriorate under such handicap, and securities depreciate. Needed improvements must be deferred and repairs neglected. Hence instead of the system growing with the needs of a growing country it sees depleted roadbeds, deteriorated rolling stock, and some phases of disorganization of transportation.

GREAT INCREASE IN EXPENSES

The public mind cannot be brought to a repeal of these restrictive laws, unless some other safeguards are thrown about the operation on behalf of the public. Notwithstanding the fact that in the four years from 1912 to 1916 over 400 laws were enacted by States and nation in regulation of the rail business I take it that the laws must stand until superseded by others, hence it is folly to talk about turning the roads back to the owners as before the war.

Since they have been taken over the operating expenses have been increased amazingly, largely because the treasury which supplies the money is inexhaustible, being the National Treasury. Some of these expenses will most likely remain. The country witnesses the business spectacle of seeing the largest freight

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and passenger traffic in the history of transportation, the highest rates paid by the public — in a word, the greatest income of the business — with a deficit of at least $200,000,000 to be cared for out of the National Treasury.

What about Government ownership and operation? I am very frank to say I am not satisfied with this remedy, and I will indicate my reasons.

The public has an interest in transportation, for which the roads exist. They can no longer be looked upon as property to be operated for the profit of the owners without regard to the rights of the public. Hence the public has an inherent right to demand service. Its chief interest is service economically and efficiently rendered.

As to economy, of course, no man of judgment will say the Government is ever economic. It is the most wasteful and slovenly in its business operations known to the business world. While Government work is done on contract basis, no one pretends to hold the Government to its contracts either in time of completion of the work or amount to be paid for it. Just now members of Congress and the public are exercised over the report of the Hog Island investigation, which shows that the contract price, at first fixed at $21,000,000, then raised to $27,000,000, will reach $61,000,000. Here is a discrepancy of $34,000,000, or, expressed in per cent, an outlay which is 300 per cent over the contract price.

PUBLIC EXCUSES GOVERNMENT

The enormity is not in the fact of this discrepancy, but in the ease with which the public will at once dis-

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miss it with the excuse that it is for the Government, and why complain. This lack of the sense of economy, which naturally and inevitably excuses wastefulness, which under private contract would lead to immediate prosecution, is the one outstanding indictment against Government ownership and operation where it can be done through private enterprise. . . .

My own opinion is that neither complete private ownership nor Government ownership is the wise way. Both of these methods have some virtues. We must find a way which will include the good of the two but avoid the dangers of both. This is the problem. Under Government operation the single system idea, with common terminals, union ticket offices, employment of short hauls, no matter on which line the traffic goes, are all valuable changes which in the interest of the public should be retained.

Consequently, our legislation should permit the roads to pool their properties. This would necessitate amendment, if not repeal, of the Sherman law. The growing demands upon transportation with the tremendous growth of the country will demand new developments of rail facilities which will entail great outlay of money. This will demand ready market for rail securities. This market will depend upon the prospect of the railway enterprise as a successful business.

The properties must be secured for the sake of securing holders, and the public must be secured against fictitious values in watered stock. Hence the Government must regulate the issuance of securities and at the same time permit such profit to security holders as to secure a ready market for the bonds. It has been

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suggested that under regulation the holder might be guaranteed a fixed profit on his securities. This regulatory feature necessitates Government supervision of some sort to guarantee needed improvements without injury to the public either in watered stock or under charges in traffic.

To do this there must be recognized a regulatory function, but it must not reach strangulation, as in the case of the Interstate Commerce Commission prior to the war.

There must be guaranteed by law that the power which fixes the expense of operation must also fix the income, to insure that the two will have a definite business relation. Congress cannot fix the outgo and the Interstate Commerce Commission the income. These matters should be left to the business administration rather than political utilities or commissions.

Where the roads broke down before was not because of private ownership so much as through Government regulation. On behalf of the public the matter of operating expenses became a political issue in which contractual relations were not regarded. This must be avoided.

The most feasible way to secure the importance of private ownership and also Government operation without embracing the dangers incident to both would be private ownership under Government control. This is the order of the day in the industrial world. It is frequently worded "concentration and control." This will permit the roads to be returned to the owners to be operated under rigid Government control. It would necessitate the combination of the systems into

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one or into regional systems to be operated as one. This would demand the repeal of the Sherman law.

PUBLIC THE CHIEF FACTOR

The owners must relinquish the claims that the roads are private and will be run for profit. That stage is long past. The brotherhoods must also relinquish the claim that the roads are run to employ men at good wages. The public or third party in the deal must be considered and will in the end become the chief factor in the determination of the policy. This is right, since it is the public which makes possible the enterprise.

While the Government is concerned in maintaining the rights of property and should see to it that these rights are inviolable, and also concerned in the welfare of the man who toils and should see to it that his rights are inviolable, yet its larger function is to see to it that the rights of the public are respected.

But if we mean to maintain our system of Government we will respect the element of private ownership, individual initiative, and personal responsibility in the interest of progress and economic efficiency by permitting concentration, while in the interest of the public at large we must exercise a rigid Government control. It seems to me the solution of the railway problem lies in this direction.

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II

Consolidate the Railroads According to Traffic Regions

By FRANK A. VANDERLIP

President National City Bank

Mr. Vanderlip thinks Government control of the railroads will continue at least twenty-one months after the signing of Peace; also that rates should continue to be Federal controlled, "but we must still have the business profitable enough to attract capital." He says further:

It has been suggested that roads should be permitted to come together in regional districts, and the analogy of the Federal Reserve Bank has been put forward as illustrating what might be done in the case of railroads. I believe the best thought is in that direction now, but not quite parallel to the suggestion of the analogy of the Federal Reserve Districts. The districts should hardly be geographical so much as they are along the lines of traffic — along the flow of traffic. It might be permitted that the New York Central form one region, the Pennsylvania (a competing road, running through parallel territory at some distance) might form another region, and each of these roads be permitted to take in any roads within their territory.

CONSOLIDATION NECESSARY

It seems absolutely necessary that roads be permitted to consolidate in this way because a rate must be made that is a fair average for the roads rather than one that

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is high enough for the poorest road to live under. If you make a rate that is high enough for the poorest road to live under it is too high for the best located road. If it is low enough to be applicable to the best located road, it will be so low that the other road will go into bankruptcy. So it seems to me necessary to put these roads together in districts so that a rate may be made which is a fair average rate for the several roads in the district. I believe that some plan along that line is likely to be the form that a generally accepted railroad act will take.

INVESTORS SHUNNING RAILS

We must continue the Federal control of rates and still we must have the business profitable enough further to attract capital. Remember that the roads attracted no capital, literally no capital, for several years. They were able to borrow money, although with increasing difficulty, but there were no new roads floating their new stock to investors. Investors declined partnership in the railroad business in respect to any new venture. Of course, companies with existing stocks found investors who traded in those stocks; but the augmenting of railroad capital came through bond issues and not from people who wanted to be partners in the enterprise. We must have a situation which will attract capital so that the great development that should go on — a development that has been estimated as equal to $1,000,000,000 a year — can be permitted to go on by the raising of fresh funds.

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III

Government Ownership a Detriment

By OTTO H. KAHN

Mr. Otto H. Kahn opposes Federal control and also Mr. McAdoo's plan. He says:

From the point of view of the monetary interest of the investor in railroad securities, the prospect of Government ownership and operation, which would relieve him of risk and make his income stable and secure, may be attractive. In fact, I know that several large holders of railroad stocks and bonds are in favor of that course, because they believe it to be advantageous to the maintenance of the value of their investments.

From the national point of view, however, I consider Government ownership and operation as gravely and far-reachingly detrimental — socially, economically, and politically. It is incompatible with our system and methods of government and with the genius of American institutions.

It would mean lessened efficiency, and lead to stagnation and retrogression. It would mean the setting up of a huge bureaucratic machine, political wirepulling and logrolling, largely increased cost to the merchant and farmer, indeed largely increased cost all round, and many other evils. Any one who will study the universal experience of railroading under Government operation in other democratic countries, subject to the frequent administrative changes necessarily incident to free government, or who will compare the excellence and progressiveness of our privately managed telephone

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service, for instance, with the indifference and utter lack of progress of our postal service under Democratic as well as Republican administration, or will reflect upon the causes for the apparently incorrigible shortcomings of our municipal governments, is bound, it seems to me, to realize that Government ownership and operation should not be introduced in this country unless there is a real necessity for it.

NO NECESSITY FOR GOVERNMENT OWNERSHIP

There is, however, no such necessity whatever. We are in the fortunate situation of being able, through constructive legislation providing among other things for strong but not strangling Government regulation and supervision, to correct such shortcomings in the system and methods of private railroad management as experience has disclosed, and to secure for the public practically all the tangible advantages which are claimed in favor of Government operation, without depriving the nation of the inestimable advantage of private initiative and enterprise and competitive service.

If Government operation is continued for five years, a situation will have been created financially and otherwise which, I believe, inevitably means permanent Government operation, or which means at the very least that the return to private management could only be accomplished after a period of turmoil, distress, bitterness, and heavy loss, and in the face of immense difficulties.

Legislation to correct the shortcomings and incongruities of the present railroad situation and to establish a system of railroading advantageous to the public and

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fair to the railroads offers no problem of excessive difficulty. Such legislation can be had — if at all — within two years just as well as within five years. In fact, it is more likely to be obtained within the shorter than within the longer period.

DANGER OF RETURN TO PRIVATE MANAGEMENT

To return the railroads to private management, especially after the grave changes which Governmental administration has wrought in their status, without adequate legislation would lead to serious financial and economic disturbances, affecting the entire structure of national credit.

I know of no compelling reason of public policy for returning the railroads to private management in the immediate future. To take this step without such compelling reason and without first having given Congress an adequate opportunity to legislate, would place the whole burden of responsibility for the resulting disturbance and national damage upon the Administration — a burden so heavy that I cannot but feel any government and any party would shrink from assuming it.

MR. SCHIFF'S EXCELLENT SUGGESTION

If the President, as suggested in Mr. Jacob H. Schiff's recent telegram to the Director-General of Railroads, were to announce that in accordance with the provisions of the existing law he will return the railroads to private management, that he will do so as soon as appropriate remedial and reformatory legislation has been enacted, but that he will do so in any event with or without such legislation on January 1, 1921, then the public, the rail-

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roads, and Congress will be under definite notice, and if in the face of such notice no appropriate legislation is enacted before January 1, 1921, the responsibility for the resulting consequences will rest where it properly belongs.

Incidentally, this would have the advantage of preventing the railroad question from becoming an acute political issue in the presidential campaign of 1920. That question involves not a political but an economic and business problem and ought to be treated as such 'sine ira et studio.' It is not now and it is to be hoped that it may not become a party question as between our two great political parties.

IV

Advice of the Association of American Railway Executives

By T. DEWITT CUYLER

The report of American railroad executives, as presented by Mr. T. DeWitt Cuyler, chairman of the Association of Railway Executives, advises that:

Private ownership, management, and operation of the American railways be continued.

Power of regulation, including all rates, should be in the hands of the national government; but these functions should be administered through governmental machinery responsive to the needs of the people of the several States. State commissions should not be interfered with by the federal act, except so far as necessary to carry out the purpose mentioned.

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RESTRICTIONS OF COMMISSION

The Interstate Commerce Commission should be relieved from its executive and administrative duties, except as to Federal valuation and as to accounting, and should act as a quasi-judicial body clothed with authority to pass upon all questions concerning the reasonableness and adequacy of rates and concerning discriminations coming before it on complaint of any party interested, or referred to it as hereinafter provided.

A department of transportation should be created, the head of which should be known as the Secretary of Transportation. He should be vested with the following powers and duties:

To carefully observe the transportation needs and facilities of the country and by suggestion and coöperation with the carriers and by recommendations from time to time to the Interstate Commerce Commission in respect to the necessity for rates and revenues adequate to provide and maintain the proper service and to create the credit required to meet the needs of the public for facilities, while at the same time protecting the just interests of employees, of owners, of shippers, and of the traveling public; to endeavor to insure the provisions of adequate transportation facilities for the real transportation needs of each situation.

If he find that a carrier is at any time so congested or otherwise unable to properly handle its traffic, he should have power to distribute such traffic over other lines.

EMERGENCY COMBINATION

In cases of serious national emergency, he should have power to direct that during the continuance of

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such emergency the carriers should coördinate their facilities and operations and operate their properties as a unified national system on such terms as he may find to be just and reasonable in the public interest. Proper provision should be made for just compensation to any carrier injured thereby.

He should have power to require any carrier to distribute its cars among its patrons in accordance with their needs and the public interest.

No new or branch lines of railroad or large and expensive terminals should be constructed unless a certificate of public convenience and necessity is first obtained from the Secretary of Transportation.

Carriers should have the power to initiate rates, schedules of which should be filed with the Interstate Commerce Commission, with the Secretary of Transportation, and with the State Commissions of the States in which the rates are applicable and through which the carrier operates; and, if not suspended as hereinafter provided, such rates should become effective thirty days after the same have been so filed, unless a shorter period is in special cases authorized by the Secretary of Transportation.

In case he disapproves any rate he may suspend it for a period not exceeding sixty days, and refer the same to the Interstate Commerce Commission for consideration.

The statute itself should provide the rule of rate-making, and should require that rates be not only what has been called reasonable, but adequate and sufficient to enable the carriers to provide safe, adequate and sufficient service, to protect existing investment and to

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attract the new capital necessary in the public interest, and to that end the statute should among other things specifically provide that the level of rates must properly reflect the cost of wages and all other expenses incident to the furnishing of transportation.

V

Evils of "Regional Grouping"

By JULIUS KRUTTSCHNITT

Mr. Julius Kruttschnitt, President of the Southern Pacific Railroad, does not favor President Wilson's idea of "regional grouping," and he states his case as follows:

My objection to the regional plan as I understand it is that it would start with a forced alienation of the properties at what would no doubt be a sacrifice of values, and would result in a practical destruction of all competition. For what purpose? Apparently, for the purpose of securing the benefits of unified control and the efficiency of Federal operation.

BENEFITS OF PRIVATE CONTROL

Is it not well to ask whether the price to be paid for these benefits is not too high, and whether they cannot be secured at a lower price? There is no reason, whatever, as has been proven by past experience, why with a modification of the Federal control which has existed in the past, the public cannot secure the unquestioned benefits of private initiative and of efficiency equally as great as, or greater than, that shown by the Federal Railroad Administration.

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The latter has made more intensive use of all of the methods the railroads originated in the way of securing greater carloading and greater trainloading, rendered possible by the exercise of powers which had always been denied to private control. As I have already said, these benefits, if the public desires them, can be provided under private control with such governmental regulation as will make the results possible.

STAGNATION WOULD FOLLOW

Much has been accomplished by the Federal Administration in suppressing competition and using facilities in common where it was for the public's good. Railroad officers generally believe that the absolute suppression of competition contemplated by the regional plan, as well as by Government ownership, would result in stagnation, and that there would be no stimulus for the roads under such a plan to strive continually to better their service; whereas under competition regulated by Government, all of the benefits arising from the desire of private owners to increase the traffic and earnings of their roads would follow.

A NATIONAL POLICY WANTED

Before the Senate Interstate Commerce Committee in January Mr. Kruttschnitt said in part:

We are asking you to do what has never been done before, that is, to adopt a national railroad policy. If you do that the policy cannot change every four years. Recent occurrences have shown that the Interstate Commerce Commission has no hesitation in overruling the acts of an official who has much greater power than

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the proposed Secretary of Transportation. We are chiefly concerned with the establishment of a definite policy by Congress. Whether it is given effect through a Cabinet officer or through an enlarged and fortified commission is still a matter of discussion. Add to that a board for the adjustment of wages, which should be closely tied to the body which controls rates and revenues. We are not, however, held to a hard and fast plan.

CHAIRMAN CUYLER'S PLAN

The plan, as submitted by Chairman Cuyler, has been adopted by the Association of Railway Executives, representing about 92 per cent of the earnings of the country. In it, we ask Congress to make it possible for the carriers to give the public the advantages of conservation of capital by requiring unification of lines and terminals, when required in the public interest, by promoting useful consolidations and permitting agreements as to rates and practices, the benefits of which have been proved during Federal operation, but which the carriers by law have been prevented from supplying.

Its fundamental features, to which details of organization and operating machinery are subordinate, are:

First — The creation of a Department of Transportation headed by a Secretary, who would sit at the President's council table, who would relieve the Interstate Commerce Commission of its executive duties, and in whose jurisdiction would be centered rate regulation subject to revision by the Interstate Commerce Commission, and the fixing of wages, and who would use the power of the Administration to maintain proper service, to create the necessary credit for the carriers, and to

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maintain harmonious relations between employers and employees.

Second — The adoption of a fixed policy as to the revenues of the carriers by requiring that the influence of the President, through his Secretary of Transportation, shall be put behind movements for increased rates which he finds proper, and the establishment of a statutory rule for rate making, which shall require that rates be not only reasonable but adequate and sufficient to protect existing investment and to attract capital necessary to maintain existing properties up to the standard of the public need, and for the construction of extensions and branches.

Third — To provide for compulsory Federal incorporation and for the elimination of the conflict of regulating power between the States and the Federal Government as to all essential matters, including rates, State and interstate, with as little interference as possible with the State commissions in carrying out the intended purposes.

A SUGGESTION MERELY

Our plan is not presented in the shape of a hard and fast bill, but is offered as a suggestion, by no means inflexible, of a way to attain desired ends.

The question of a guarantee was freely discussed in our deliberations, but we do not ask for a guarantee. We recognize that the establishment of a definite guarantee would stifle all incentive to efficient management and would destroy competition as to service and facilities, for if necessary revenue could be obtained without effort, what inducement would exist to make an effort?

Under our plan, if a rate system be put in effect in

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a given region that will produce revenue adequate to yield a fair return on roads operated under average conditions and with reasonable efficiency, and to enable them to maintain their credit and pay satisfactory returns to their security holders, some roads below the average which should never have been built, or which were poorly located and are indifferently managed, may be forced to reorganize or sell their properties, while those above the average will prosper. But all without exception will be stimulated by self-interest to create new and increase existing traffic by competition in service and facilities, because by so doing the returns to the owners are increased and at the same time the public is better served.

VI

Private Ownership Most Economical

By THEODORE PERRY SHONTS

Mr. Theodore P. Shonts, President of the Interborough Rapid Transit Co., of New York, offers the following principles as a solution of the railroad problem:

> A plan of government regulation which will be scientific and not political, which will apply the same point of view to approving rates as to approving the chemical composition of a steel rail.
>
> Concentration in the regulating authority which adds to the expenses of the roads of responsibility for the rates with which those expenses must be met.
>
> Provision that initiation of rates shall be in the hands of the carriers; that rates may not be sus-

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pended, except upon complaint and after a hearing, and that final decision must be made within sixty days.

Establishment by Congress itself of the fundamental principles to govern the reasonableness of rates, such principles to include fair reward for excellence of service, efficiency of management, and prudent foresight in providing new facilities against future needs.

If these were embodied in law I believe the public would gain immense advantage by the promptest possible return of the properties to their owners.

As one with practical railroad experience and as an observer of government operation throughout the world, I am convinced that the most economical operation can be attained under private ownership. And the gains we have obtained from government operation can all be retained under private ownership.

The great fact about government operation is the inevitable tendency toward extravagance and inefficiency. If the deficit from operations can always be made up out of taxation, if there is to be no reward for economy and forethought it is impossible to expect careful watchfulness over expenditures. . . .

CAPITAL MUST HAVE AN INCENTIVE

The cardinal thought is this: That if we are to escape not only the bureaucracy, extravagance, and dead level of government ownership and operation, but also the political risk involved in the creation of a new and gigantic class of government employees, we must be

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willing that some men who exercise energy, daring and prudence shall receive some fair measure of reward for their effort. In other words, we must recognize that it is no crime to make money in railroad building, if the money is made honestly and fairly.

If this principle is not to be recognized, the money for future railroad development simply cannot be obtained under private ownership. To return the properties to their present owners without recognition of that principle simply means that the tendencies of a year ago will be revived — and inevitable bankruptcy or government ownership will again stare the railroads in the face.

There is no use in blinking our eyes to the stern facts. If the railroads are not permitted to earn sufficient money to attract new capital, and if the risks of the business are not to be met with adequate reward to those who take them, there is no use of again making the experiment of private ownership. It will be doomed to failure.

THE GREAT DANGER

The great danger to the public interest in the present immediate situation is that the owners of existing railroad securities (that is, those having most at stake), and the agitators and theorists (that is, those having least at stake), may come to such agreement in opinion that they would jointly become militant in favoring a continuance of the present plan of government control. That would mean that the great interests of the public at large would suffer through lack of appreciation and understanding.

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We must frankly recognize that here is a case, not for courts, for commissions, or, indeed, for government. The people will and should decide this issue, and the greatest service railroad men can perform is to see to it that the American people understand clearly the momentous issues involved. If the case is put clearly before the people, I, for one, have perfect confidence that their decision will be the same as that of every railroad executive who is seeking to preserve and promote the welfare and prosperity of our common country.

VII

A Federal Trunk-line System

By Hon. WILLIAM JENNINGS BRYAN

William Jennings Bryan advocates a dual plan by which the Government will own and operate, not the entire railroad system of the country, but only a trunk-line system sufficient to give every State receiving and shipping facilities. He believes

Such a system would effectively regulate interstate commerce, and yet would cost but a small sum compared with the nationalization of all railroads.

Such a system would also meet the objections made to the establishment of a gigantic bureau of Washington, and the objections based upon the fear of centralization — a real fear — in support of which many illustrations can be drawn from history. The Government can easily enter upon this partial nationalization by the appointment of a committee to investigate the advisability and cost of such a system, and the report

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can be made after investigation and acted upon before the time set for the return of the railroads to private ownership.

The dual plan contemplates, not only a trunk-line system owned and operated by the Federal Government, but the ownership and operation of the local network of roads by the several States.

The Government could, for instance, take over one first-class trunk line between the Atlantic seaboard and the Great Lakes at Chicago; another to the Mississippi Valley at St. Louis; another to the Middle West, and lines to the North, South and Central Pacific coast; also north and south lines, and so on.

This nationalized system engaged in interstate commerce would traverse all the States.

It would compete with privately or State-owned railroads in service and in economy of operation, not in rates, because the Government would fix all interstate rates, as it does at present.

A TEST OPPORTUNITY

This would give an opportunity to test the relative merits of private *vs.* public ownership. The Government owned system would have lower fixed charges because its bonds would be issued at lower interest rates. The resulting profits could be used either to extend the system or pay off the debt. The taking over of a trunk line would not embarrass the owners of branch lines (whether owned by a corporation or a State), because the trunk line would be open to all on fair and impartial terms.

In other words, while it is Government ownership,

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the larger part of the problem is distributed among forty-eight States and can be extended over a number of years.

If the dual plan is adopted the Government can, in a short time, put into operation a trunk-line system which will make each State independent in regard to the railroads within its borders, because whether these railroad lines be long or short they can find an outlet over the national system, and the States can put the system of Government ownership into operation as rapidly as public sentiment is ready, exercising in the meantime a complete control over intrastate traffic.

VIII

Receiverships for Many Roads if Government Relinquishes Control

By N. L. Amster

Mr. N. L. Amster, chairman of the Executive Committee of the Chicago, Rock Island & Pacific Railroad, says:

I am unalterably opposed to the Government relinquishing control of the railroads at this time. It would be fatal to the interests of railroad security holders because:

(1) The money situation at present is such as to make it impossible for even roads of first rank to finance themselves at any reasonable rate of interest, and second-grade roads would be unable to finance themselves at all.

(2) The Railroad Administration has put into effect an advance in wages amounting to about $800,000,000 a

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year. When this advance was made the country was on a war basis, and railroad traffic, in common with general business, was at its high point. Since the signing of the armistice, however, general business has slackened, and this will soon be reflected in reduced railroad revenues.

(3) The Federal Administration instituted an increase of 40 per cent in passenger rates and 25 per cent in freight rates to offset this increase in wages. Some of the State Commissioners and shippers in Washington hold the view that now the war is over, freight and passenger rates should be reduced; while representatives of the brotherhoods and other railroad employees are determined wages shall not be decreased.

Although the value of unified operation of railroads has not been fully tested because of war conditions, it is interesting to point out that through the common use of terminal facilities and equipment there are to-day in the East 100,000 empty, idle coal cars, whereas a year ago, or before Government control, with practically the same number of coal cars in the country, there were not enough to go around. . . .

In my opinion if the Government were to relinquish all control of the railroads in the immediate future it would be necessary to simultaneously appoint receivers for a great many.

IX

Government Operation Distasteful to Shippers

By CLIFFORD THORNE

That there is something rotten in the railway Denmark is the belief of Clifford Thorne, who, on behalf

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of livestock, grain, and petroleum shippers, disclosed on January 24 last to the Senate Interstate Commerce Committee the extent to which the Federal Railroad Administration had arbitrarily brushed aside statutory and common law provisions concerning damage claims against railroads. Mr. Thorne read the following statement:

McADOO AND THE SHIPPERS

Government operation is so distasteful among the shippers of the United States that were a popular vote taken to-day it would be defeated overwhelmingly.

If the members of Mr. McAdoo's staff had deliberately planned to "double cross" the director general, and thereby to make government operation so unpopular that it would tend to kill any possible movement toward government ownership, they could not have adopted any more effective methods than those which actually have been adopted. . . .

In the midst of the intensely interesting and instructive discussion which you have listened to during previous days, about the forty or more reforms that have been proposed by the Interstate Commerce Commission and by the railway companies, I desire to challenge your attention, if possible, to a single proposition. It is of paramount importance to the stability and progress of American industry that you shall immediately restore the full powers of our courts and commissions over the railroads of the United States.

This can be accomplished in a very simple manner by striking out a few lines and inserting one or two sentences in Section 10 of the railroad control law. . . .

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And unless this is done the shippers of the country will suffer incalculable injury. We may differ on many things, such as the relative functions of the State and Federal governments, the pooling of earnings, mergers, and consolidations which may tend to eliminate competition in service, the control of capitalization by the Federal government, or by the State; but I believe that I am safe in saying that the vast majority of the shippers of the United States are united in urgently petitioning for immediate action on the proposition which I have stated.

We believe that all other discussion might well be temporarily suspended for a few days so as to make possible the immediate consideration of this issue. . . .

ASKS ADVICE BE TAKEN

It is essential that this amendment which we have suggested shall be in effect during this interval while you are considering the ultimate disposition of the railroads; for otherwise during the next few months many sweeping, wholesale changes in rates, rules, and regulations now pending will be consummated; and these changes have no connection whatsoever with the war against the Kaiser.

In the light of past experience, we earnestly beg of you to accept the word of no man as to the manner or the extent that these powers will be exercised in the future. When this law was before you Congress was told that the power to control rates during the time of Federal possession ought not to be exercised and would not be exercised except in such cases as might be necessary "in the public interest." You were told that, "It

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would be very unwise for the Federal government to undertake through the Director-General of Railroads — who merely represents the President in this control — to pass upon all the rates in the country, either *de novo*, or as questions may arise concerning them." And yet the fact remains that one of the first acts of the Director-General was to pass upon all the rates in the country, and at the present time the Director-General is passing upon rates from one end of the nation to the other, and making orders that will not affect to the slightest degree the successful prosecution of the war against autocracy in Europe.

The temptation was too great for a staff composed almost wholly of railroad men.

The Director-General of Railroads has exercised, and is now proposing to exercise, arbitrary, despotic powers in defiance of the common law and the statutory law of the country.

The Director-General has decided, and is now proposing to decide, controverted issues between the shippers and the railroads involving millions of dollars, without any semblance of a hearing before a disinterested body.

UPSETTING OLD METHODS

The Director-General is now considering wholesale disturbances of rate relationships upon which business has been built up and established during the past generation, without any hearing before a disinterested tribunal before the new rates become effective.

All this has created uncertainty and confusion among the shippers of the country, which is intolerable.

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We most earnestly petition the present Congress to amend Section 10 of the railroad control law as follows:

First, restore the suspension powers of the Interstate Commerce Commission, which will insure us a decision by a disinterested tribunal before any more sweeping revisions shall become effective; second, strike out the clause which attempts to make the orders of the President superior to State and Federal law and the common law; and, third, insert a clause requiring the Director-General to pay final judgments against common carriers under his control, and charge the same to operating expenses, where so chargeable prior to government operation.

The present law, which attempts to authorize the former chairman of the board of directors of the Atchison, Topeka & Sante Fé Railway Company, speaking for the President, to repeal statutes which have been solemnly enacted by Congress and by the several States, and to reverse the decisions of courts of last resort, is an abortion. This is supposed to be a republic, and not a monarchy.

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CHAPTER V

PUBLIC CONTROL OF WIRE COMMUNICATIONS

PROTESTS from more than a dozen State Public Service Commissions against the Administration measure extending Government wire control were presented to the House Post Office Committee. "Better and cheaper service will result from private management under efficient State commissions than under the present control," declared Charles E. Elmquist representing the National Association of Railway and Utilities Commissions, in offering the protests.

The attempt of Postmaster-General Burleson to put in effect new telegraph tariffs was regarded as an interference with State rights, and a number of States, New York, Massachusetts, New Jersey, and Michigan, among others, instituted legal proceedings. Governor Coolidge of Massachusetts saw no reason, "why any of the States should surrender any of their rate-making powers to the Federal Government. In times of war emergencies may arise making it advisable not to stand upon the Constitution, but at the present time I feel that the State's interest should be fully protected. I feel strongly that the Public Service Commission, as in the past, should continue to make rates for Massachusetts patrons."

The Administration's position as to Government ownership of telegraphs is set forth in the following article

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by the Postmaster-General. Following him Clarence H. Mackay, president of the Postal Telegraph-Cable Company, one of the seized lines, gives his reasons why private ownership of wire companies should be continued.

Since these articles were written the House Committee on Post Offices and Post Roads decided by a vote of 10 to 8 against Government purchase of the telegraph and telephone lines, and on December 31 next they will revert to private ownership. This constitutes a victory for the States, who will continue to fix rates and exercise other police regulations.

The question, however, is still a live one before the American people, and will recur in political controversies, indefinitely. The reach of administrative power, toward business not of a government character, is a subject of continual agitation, in the present administration, in Congress, and in the press. The two positions presented herewith reflect authoritative points of view.

I

Why the Government Should Keep the Wires

By Hon. ALBERT SIDNEY BURLESON

Postmaster-General

When I urge the permanent merging of the telegraph and telephone facilities of the country with the Postal System, all to be owned and operated by the Government, I advocate nothing that is novel, startling, radical or revolutionary. If it is "socialism," then most of my predecessors in the office of Postmaster-General during the past fifty years must be classed as socialists, also many of our foremost statesmen and economists, including a number noted for their conservative opinions as to governmental operations.

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I do not urge the change because of the Government having taken over those facilities temporarily; indeed, I advocated it long before the beginning of the war which caused the temporary change.

The question of the Government's owning and operating the wires is not, properly speaking, one of "Government ownership" in the sense generally given that term; it bears little if any relation to any such question of the Government's "going into business" as would be involved in the Government's undertaking a permanent monopoly of a process of general production. The change would harmonize perfectly in principle and fact with Abraham Lincoln's apt definition of proper governmental operations, to wit: "The legitimate object of government is to do for the people what needs to be done, but which they cannot by individual effort do at all, or do as well, for themselves."

Furthermore, it would be properly in line with, and in fact furnish the quickest and safest, if not the only feasible, means for, the bringing about of that coördinate elaboration of our various systems of electrical communication which our best practical experts hold to be the ultimate ideal of service.

The suggestion is by no means new, for it was put forth authoritatively at the very beginning of wire communication. As is well known, the Federal Government, by subsidy, assisted in the original development of the telegraph and pondered very seriously making it a governmental monopoly from the start. While it must be admitted that the development of our utilities for electrical communication, like that of most other facilities based on mechanical invention, may be credited

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largely to private initiative, individual enterprise does not account for it all. The Government as well as the public generally made valuable contributions to that development.

NOT PARTISAN, REVOLUTIONARY, OR UNCONSTITUTIONAL

The fact that nearly every other progressive country treats the telephone and telegraph as a governmental monopoly and operates them as parts of their postal systems banishes the suggestion that in doing likewise we should do anything partaking of the startling, radical, or revolutionary.

Since, in this country, the change has been advocated with equal ardor by distinguished leaders in all parties, and by Postmaster-Generals in both Republican and Democratic administrations, the question cannot be classed with those properly rated as partisan.

Although the Constitution does not prescribe the means of conveying intelligence by wire as a governmental monopoly, as it does the means for carrying the mails, we may suspect that the omission is due to the fact that there were no telephones or telegraphs, and none anticipated, when the Constitution was adopted.

The Constitution does not withhold the Postal Service from private control as a "business" or as an enterprise from which the Government expected to earn profits, but because it then constituted the only general and universal means for conveying intelligence. Practically the only other interrelated means of communication were the public highways which from time immemorial have been owned and controlled by government.

The operation of the Postal Service was reserved ex-

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clusively to the Government because it was essential to the progress and development of the country that the mails be handled, not with an eye first to the earning of revenue, but to guarantee and facilitate the transmission of intelligence from one citizen to the other. And all will admit that this could not be done at all or as well through individual effort.

At that time, as stated, practically the only means of general communication was that afforded by the posts. The mails had no competitor. The telegraph and telephone, which were invented long after the Constitution was adopted, are, by the nature of the business done, competitors of the posts. The fact of a message being transmitted by wire instead of via a mail box does not change its basic character as a communication of intelligence, the handling of which the Government desired to keep exclusively in its own hands.

A PART OF THE NATIONAL DEFENSE

The Constitution in giving Congress control of the post offices and post roads obviously to my mind contemplated no particular physical structures but the general communication of intelligence. It is entirely probable, had the telegraph and telephone been established or so much as anticipated, that they would also have been expressly included.

It is now an accepted axiom of government that the mails constitute a means for conveying intelligence which it is as much the duty of the government to establish and maintain as it is its duty to provide for the national defense. In fact, an established and widely extended system of communication is a part of the national de-

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fense. Moreover, it is essential to the development of the country and the prosperity and general enlightenment of its people. It is a utility of defense and of progress as much during peace as during war times.

No one would withhold the liberal meed of credit due those who by private initiative and enterprise directed the development of our truly great system of electrical communication. However, that development would not have been possible but for the existence of a public willing to and capable of giving it support. Hence it might be suggested that the fertility of the soil with which they worked was in some degree made possible by the unparalleled encouragement which before and concurrently was given by our government to the transmission of intelligence through the mails.

It is true that this development is made possible by inventions deserving individual reward and conveying individual rights; but it is proper to add that such inventions are encouraged and protected by our patent laws.

Because our present systems of electrical communication were developed largely through private initiative and enterprise makes no valid argument in favor of their continuance under private control and ownership. How they would have developed under Government ownership no one can with definiteness say. However, its contrast with the development of our marvelous system of mails, no one will contend is discreditable to the latter. Moreover, if we go back to origination, it is fair to note that the handling of the mails has not always been an exclusively government function and that our own Postal System was taken over

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in part at least from so-called private enterprise. And, the so often expressed opposite view to the contrary notwithstanding, private enterprise and personal initiative may yet and do contribute to the efficiency of the Postal Service.

WIRE UTILITIES "NATURAL MONOPOLIES"

The wire service like the mails is a public utility of universal necessity and is adapted to the performance of no other function than that of conveying intelligence; and disregarding the divergence of views as to Government ownership of public utilities generally it must be recognized that electrical agencies of communication stand alone as an essential utility performing a Government function. It is possible to transmit a written communication independently of the mails and sometimes quite as expeditiously. Surrounding the mails are no such natural barriers like those which render wire facilities, and, to a large extent, other means for electrical communication, supreme and exclusive in their field. They, to a much greater (albeit, to an almost complete) extent than the mails are "natural monopolies."

The progress, prosperity, and enlightenment of the nation are dependent upon expansive means of communication between and among the people. Neither the telephone nor telegraph is any longer a means of communication solely for class or particularized use. Either bears more potently on the daily lives, habits, comfort, and activities of the people than did the mails a hundred years ago. Under the complex system of society which, to a great extent, quick means for conveying intelligence is responsible for, we could now dispense with either

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telephone or telegraph at perhaps less inconvenience than would have accompanied the abolition of organized mail service a century ago.

Therefore, the very nature and quality of those utilities make it highly important for the extension of wire service to be determined by public needs rather than the opportunity for private gain. The wire systems are supported by the public because they are a necessity in social life and business enterprise, however wasteful they may be in their methods of operation or extravagant in their charges.

The extension of mail service, quite fortunately for the country, has never depended absolutely on profitable return in money. No matter how remote a community, or how difficult the reaching of it by post may be, the Government considers it a duty to see that that community is given such mail service as all the equities, instead of the question alone as to whether it shall pay for itself, may entitle that community to.

PRIVATE OWNERSHIP EXACTS A PROFIT

But the very nature of private ownership makes it necessary that the establishment of extension of wire service be determined almost wholly by whether it shall readily pay a profit. Under private ownership the extension of our mail service as made in the one branch of rural free delivery — which on the whole has not been a losing venture for the Government and of value to the country incalculable in terms of money — would have been impracticable and impossible. The extent of the wire service under private ownership is restricted to areas where it may be operated with more or less

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immediate and continuing profit to the owners. The competition which it invites is that which is in pursuit of profit, not in rivalry for public benefit and service.

I would not be so absurd as to argue that the Government should give the people a free wire service or anything akin to it, no more than it gives to them a free mail service. If the wires cannot be operated, as the mails are, with more benefit to the public for the full service rendered and with greater safety to the country than under private ownership they should not be taken over permanently by the Government.

But they can be so operated, not because all units of operation by the Government would of necessity be more efficient or less expensive but because, among other things, amalgamations, changes, and extensions in the body of the service which can be undertaken practically by the Government alone would render the whole more efficient and at less cost than would be possible under private ownership.

For example, private capital will not enter such enterprises except upon the prospect of good return on the money invested with an added margin for the inevitable risks of loss involved in all private undertakings. Thus private capital is invested in such private enterprises with the expectation of seven or eight per cent and often greater return on the investment, while the Government can borrow money at four and one-half per cent or less. The public pays the charge in either event. But the difference between four and one-half per cent and eight per cent for the money invested in the wire systems of the United States, would, as careful calculation shows, maintain and pay for the property in eighteen years and

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nine months. The Government as owner would be under no necessity to charge interest on its investment any more than it would for money invested in postal facilities, navy yards, or other public property.

THE WASTES OF COMPETITION

The greatest saving would come through the elimination of wastes caused by the competition involved in private ownership, which competition, under private ownership, is necessary to the protection of the public's rights.

Basically it would be as logical to have two or more post offices in the same town operating independently and where patrons of each had no means of communicating with each other, as to have two telephone systems operate in the same territory, for in either case the cost to the public is multiplied and the utility divided.

Mr. Theodore N. Vail, President of the American Telephone and Telegraph Company, and probably the world's highest authority on wire service, declares in a recent communication — in which he quotes extensively from his annual report for 1910 — that his company should afford electrical communication ". . . of every kind of intelligence from any place to any one at any other place; that the service should be comprehensive, nation wide, economical, and at a minimum price so that potential business could be developed."

But to do that effectively and economically, he goes on to say, "requires the combination of every kind of electrical transmission of intelligence into one system over which the most efficient service could be rendered through the development of new and useful service and

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the wire plant and facilities thus to be utilized to the fullest extent."

He advocates "common control of this unified system . . . to the furthermost possible limits," to "cover our nation and the international communications to the boundaries of all other nations with which we have existing or potential relations." He thinks there should be "one control" of all electrical communications, domestic or international, "open wire, cable, or radio," in order that there may be close harmony of effort and operation one with the other in all connected activities, including research, investigation and experimentation.

"Only in this way," he says, "can the greatest results in service, in public benefit, in economy, or in cheapness be obtained."

A PRIVATE COMBINE OF ALL WIRES IMPRACTICABLE

I doubt if it would be practicable, or consistent with the country's or the public's interest, for such a combine to come into being under private ownership and control, however patriotic or efficient it might be. In truth, the Government alone could safely exercise such a right of monopoly as the wire service calls for, but some plan of organization should be devised which will combine all the advantages and the authority possessed by the Government without losing the benefit of the experience of the best operation which our industrial world has demonstrated to be advantageous. I believe such a plan can be worked out.

While the various branches of electrical communication are inseparably related and interdependent, so is all wire communication related to and in some degree

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dependent on postal service. The mails, as is well known, are often used in facilitating the dispatch of wire messages, and no doubt the mails and the wires could be worked together extensively with mutual advantage and improvements. In countries where Government ownership of the wires prevails, the same executive forces serve to a large extent for both the wires and the mails; in many instances the same buildings and other equipment are utilized for both with much added convenience and saving to the public.

Information acquired through Federal control of the telegraph and telephone systems of the country since last August enables me to give assurance that the entire wire system of the country can be acquired and paid for in twenty-five years out of the savings made through the elimination of duplications in plants and operating expenses without injury — in fact with improvement — to the service rendered. Therefore, existing means of electrical communication of intelligence could be merged with the Postal Service without any ultimate cost to the public, and at the same time develop a national wire system available for the use of every community in the country coextensive with the present Postal Service.

Since 1845, following an appropriation by Congress in 1844 looking to the acquisition of the Morse invention by the Post-office Department, many Postmaster-Generals have recommended that the wire service be made a part of the postal monopoly.

CONGRESS HAS OPTION ON TELEGRAPHS

In fact, in 1866 Congress by proper Act and the acceptance thereof by the telegraph companies caused to

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be obtained an option to purchase the telegraph properties at their appraised value. This option is still in full force and effect.

President Grant joined with Postmaster-General Cresswell in "deprecating further delay" by Congress in providing fully for the acquisition of the wire lines of the country.

Nearly every Postmaster-General since that time, including Messrs. Howe, Gresham, Wanamaker, Payne, Cortelyou, and my predecessor, Mr. Hitchcock, have recommended the acquirement of the wire lines, the construction of others by the Government or the utilization in some form of the wires in connection with the Postal Service.

Since 1871 more than 70 bills have been introduced in Congress providing for the purchase or control by the Government of the telegraph lines, and more than a score of those bills have been reported favorably by Senate or House Committees.

The purchase, lease, or other forms of Government control of the wires have been advocated by many Senators and Representatives of all parties and by such outstanding national figures as Henry Clay, Charles Sumner, Hannibal Hamlin, and Senators Edmunds, Dawes, and Chandler.

The objection based on the supposed advantages the party happening to be in power would gain through Government ownership, either in making use of private information contained in wire messages or by forcing the added number of Government employes to support it with their ballots, is answered, I think adequately, by our experience with the Postal Service, the management of which gives no special advantage to any political party.

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In truth, in a strict sense of practical politics, I believe responsibility for its management carries distinct disadvantages.

Congress already by special legislation has made it a criminal offense to make use for political purpose of any information passing over the wires and provided heavy penalties for divulging the contents of private messages. In fact the law already throws around telegraph and telephone messages all the safeguards as to privacy that exist with respect to sealed communications. No doubt similar protection in political action as now given Postal Department employees would be afforded persons associated with the wires service under permanent Government ownership.

Whatever disadvantages the further extension of Government operations might entail would certainly be outweighed by the many advantages that would accrue to it and the public through the complete and permanent amalgamation of the means of all electrical communication of intelligence with the Postal Service.

II

Should the Government Own the Telegraphs?

By CLARENCE H. MACKAY

President of the Postal Telegraph-Cable Company

An article by the Postmaster-General, Mr. Burleson, strongly advocating Government ownership and operation of telegraphs in accordance with his recommendation in his annual reports in the past as Postmaster-General, raises the question very sharply, now that the Postmaster-General has actually seized the telegraph lines under the war power of the Government, even though

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he has to return them when the treaty of peace is signed. Mr. Burleson's argument is cheapness of rates; any deficit to be paid by taxation. Is that argument sound?

USE OF TELEGRAPH LIMITED

The telegraph differs from every other public utility in that the telegraph is not used by the great majority of people. Farmers use it very rarely. The laboring classes use it little, if at all. The clerical classes have little occasion to use it, and even the social use of the telegraph is negligible. One of the great telegraph companies states that only three or four per cent of its entire telegraph business is from these classes. Over 70 per cent of the entire telegraph business of the United States originates in forty cities, these being the large commercial cities of the country, the population of which represents 20 per cent of the total population of the country. The fact is that the telegraph is a commercial agent, almost exclusively, and its expense is a part of the cost of the business of the banker, broker, manufacturing, and mercantile classes. Hence any attempt to give them cheap telegraph service at the expense of the taxpayer is unfair and discriminatory.

Post office locations are selected with a view to serving the whole population of each city, town, and locality, and in most cases are not located to serve that part of the public that uses the telegraph in its business; and Mr. Burleson's idea, that the public must come to the post office to transact their telegraph business, no matter where those offices are located, will not appeal to those who in the rush hours of the day must conserve their time and the time of their employees.

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The banker, broker, manufacturer, or merchant wishes quick and accurate telegraph service, and does not want slow telegraph service or inaccurate service. He is willing to pay a fair price for his telegrams, and he considers the present telegraph rates as fair. He does not wish or expect to get cheap telegraph service at the expense of speed and accuracy, and especially so to get this cheap service at the expense of the taxpayer. He is not interested in this movement for Government ownership and operation. Neither is the taxpayer in its favor; nor are the great mass of people, who do not use the telegraph at all, and would not use it even if the charges were less. Hence I see no occasion for the Government interfering with the present competitive system.

OUR TELEGRAPH RATES CHEAPEST IN THE WORLD

In Europe the Governments own and operate the telegraph systems, but instead of their telegraph rates being cheaper than the American rates, they are higher — to say nothing of the well-known inefficiency of the telegraph service throughout Europe. I have yet to learn of a business man who has traveled abroad and who does not hold this view. Telegraph rates in the United States are the cheapest in the world. This is not generally understood, because the published rate abroad seems cheap until one ascertains that every word in the address, signature, etc., is charged for, as well as every word in the body of the message. In the United States only the words in the body of the message are charged for. Now, in the United States there are fourteen words on the average in the address, signature, etc.,

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in a telegram, in addition to the words in the body of the message. The following table gives the comparative toll on telegrams of equal length.

	Average Charge for a Domestic or Intrastate Telegram Containing Ten Text Words
France	$0.29
Norway	.29
Sweden	.25
Great Britain	.30
Germany	.30
Italy	.29
Denmark	.30
Austria	.29
United States	.25 to .30

The above rate at 25 cents or 30 cents for telegrams in the United States is between two points in the same State, the distance being about the same as between two points in any foreign country. When we come to telegrams in the United States for longer distances the only comparison that can be made with European rates is telegrams in Europe between different countries, on account of the long distances traveled by the average long-distance telegram in the United States. For instance, from Paris to Vienna is about 650 miles, and the cost for a ten-word message, plus the address and signature charged for, is 96 cents, as against only 40 cents, address and signature free, for a similar distance in the United States. From Stockholm to Paris (1,000 miles) the rate for a ten-word message, plus the address and signature charged for, is $1.20. From New York to Chicago, about the same distance, the rate for a ten-word message, address and signature free, is 50 cents.

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CONVENIENCES DENIED IN EUROPE

In addition to the above there are other advantages of the American system. The American telegraph companies send messengers to collect and deliver telegrams and maintain call-box systems. The American companies keep open accounts for their customers and keep offices in hotels, apartment houses, and competitive offices in all parts of large cities. The European governments do nothing of this kind. There the telegram must be taken to the telegraph office; the sender cannot run up an account; he must prepay the charge, and may have to go a long distance before finding a main or branch office.

American business supremacy is based upon the despatch and facility with which things are accomplished. The American business man will never consent to the substitution of European methods of handling telegraph correspondence as now proposed by the American Postmaster-General. Here, the business man prepares a batch of telegrams and cablegrams, rings for a company's messenger by means of a convenient call-box installed free of charge by the Company, and dismisses them from his mind. Competition insures their prompt transmission under a charge account. In Europe the business man must first reckon the cost of his message, send one of his employees to a post office with them or go himself, the postal clerk calculates the charge — when he finds time — you purchase stamps and affix them yourself, hand messages back to the postal clerk and trust to Providence that they will reach their destination in an intelligible manner. Complaints are met with a shrug of the shoulders.

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The National Association of Public Service and Railroad Commissioners of the various States at a convention held in San Francisco, October 12, 1915, received a report of its Committee on Telephone and Telegraph Rates and Service containing the following:

"As far as this Committee is informed, there seems to be no complaint on the part of the public as to the service and rates of telegraph companies."

CHEAPER RATES WOULD NOT INCREASE USE

Mr. Burleson thinks that cheap telegrams would increase their use by the great mass of the people. He gives no reason for thinking so. Nobody uses the telegraphs for transmitting communications unless those communications are more or less urgent, and a cheap telegraph service would not appeal to the great mass of people because their communications are not of an urgent nature. They probably would not use the telegraphs to any greater extent at the 15-cent rate than they do now at the 25-cent rate. The telephone has displaced the local use of the telegraph; in other words, has displaced telegrams between towns not far distant.

The telegraph, in the course of trade, and by the competition of the telephone, has become more or less restricted to the use of the banker, broker, manufacturer, and merchant in carrying on commercial transactions, and they do not want the telegraph service injured by cheapness, slowness, or inaccuracy. The great mass of the public are not interested at all in the subject, excepting, of course, that they do not wish to have their taxes increased. Is the taxpayer to be ignored?

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BRITISH GOVERNMENT FINANCIAL LOSS

In Great Britain some forty years ago the British Government bought the telegraphs and paid about $50,000,000 for them. For two years, namely, 1870 and 1871, the Government made a small profit after charging interest on the debentures issued for the purchase, but since that time there has been an annual deficit after providing interest. In a speech in the House of Commons on April 30, 1914, Postmaster-General Hobhouse, of Great Britain, said that within the last forty years the telegraph expenditures of the British Government exceeded the telegraph receipts by $110,000,000, not including interest on the original purchase money nor interest on the annual losses, nor any provision for amortization. If these were included, the loss would have been $200,000,000. The annual loss is shown by the following table:

Year Ending March 31	Receipts	Actual Operating Expenses	Operating Loss	Total Annual Loss, Including Interest Paid and Fresh Money Expended
1908 . .	$15,516,805	$17,542,840	$2,026,035	$4,847,423
1909 . .	15,492,260	18,361,270	2,869,010	5,233,785
1910 . .	15,827,745	17,995,390	2,167,645	5,246,065
1911 . .	15,830,035	18,478,075	2,648,040	5,933,365
1912 . .	15,747,420	18,786,840	3,039,420	5,340,740
1913 . .	15,881,635	17,620,250	1,738,615	5,876,735
1914 . .	15,591,080	17,545,050	1,953,970	6,058,710
1915 . .	17,094,770	18,570,990	1,476,220	6,164,775

As late as February 21, 1916, a committee appointed by the British Government to look into the question of

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retrenchment in the public expenditure, reported on the Government-owned telegraphs as follows:

> "The history of the Telegraphs is most unsatisfactory. They were taken over in 1870 at a cost (including capital expenditures on extensions) of £10,129,687 ($50,648,435) in the anticipation that they would yield a profit to the State. After the second year of post office management the profit failed to cover interest on the capital outlay. Year by year the financial position has grown worse. In recent years the loss upon working has not been less than £1,000,000 ($5,000,000) a year, and this loss includes nothing for interest due to the State upon the aggregate losses of previous years."

If the British Government had left the telegraphs in the hands of private individuals, the rates would have been just as reasonable as now and the Government would have avoided the loss of not only about $200,000,000, but also of the taxes which it would have been receiving from the private companies, and the interest on both of these sums, and the public would have been receiving a much improved service.

Major W. A. J. O'Meara, formerly Engineer in Chief of the British Post Office Telegraphs, in referring to the question of Government Ownership of Telegraphs, writes as follows:

> "Since the outbreak of the war the public has been brought into contact with Government departments at many more points than was previously the case; the result, judging by the attitude of the commercial community, seems to have been to

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strengthen, rather than to weaken, its opposition to governmental control of matters of vital interest to the industries and commerce of the country — in this category cable communications naturally fall."

OVERHEAD CHARGES NEGLIGIBLE QUANTITY

Mr. Burleson states that at present the public pay overhead charges of the two telegraph companies, and also dividends on their capital stock. As to the dividends, they are reasonable, and the Government would have to pay the interest on the purchase price, and this would be a substitute for dividends. As to the overhead charges, the question at once arises whether the overhead charges of the two companies would compare for an instant with the increased operating expense if the Government should undertake the operation. The so-called overhead expenses referred to by Mr. Burleson are the expense of supervision over the operations of a telegraph company, and this expense in the case of one of the largest telegraph companies is only about 2 per cent of its receipts. Competent supervision by experienced managers whose salaries go to make up the overhead expense is more than offset by the economies effected by them in the cost of handling the traffic. No one who is familiar with the results of Government operation of anything, will doubt for a moment that the overhead charges of the present two telegraph companies would be a drop of water as compared with the flood of increased operating expense if the Government ever acquired and operated the telegraph lines.

Furthermore, it is a well-known fact that the lines of

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the two telegraph companies are filled to capacity during the business hours of the day, and that the trunk lines are well occupied during the night, so that this disposes of any question of duplication of facilities.

COMPETITION *VERSUS* MONOPOLY

After all, the main question is whether competition in telegraph service is wanted or not. Government ownership and operation means a monopoly. Continuation of the present two telegraph companies means competition. Competition means keen rivalry in service. It means efficiency. It means constant improvement of equipment. It means a greater desire to please, and more courteous treatment to the public.

If the American people prefer to take the chances of insufficient Government telegraph service, and the chances of getting a lower telegraph rate to be made up largely by taxation, and to take the chances of the telegraph systems being turned into a political machine for the benefit of the party which may happen to be in power, then Government ownership and operation of telegraphs will come. If, on the other hand, the public come to realize that the telegraph service differs from every other kind of public utility, in that telegraph service is a commercial instrument practically for commerce alone, and is not used and would not be used, even under Government ownership, by the great mass of the people, and that any reduction in telegraph rates would be followed by taxation to make up the deficiency, and that the telegraph systems would certainly become political machines, and that the service itself would inevitably deteriorate in speed and accuracy

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by the Government management, then there is little probability of Mr. Burleson's idea being adopted by the American people.

DANGERS OF POLITICAL CONTROL

The American public are keenly suspicious of political influences controlling the wires for partisan purposes, and one of the most disastrous things that could threaten our free institutions, and which would aim at the very foundations of the Government itself, would be to allow the channels of communication, whether telegraph, telephone, or cable, to be brought under political control. Without a free telegraph you cannot have a free press, because the telegraph is the feeder of the press. Any proposal, therefore, that the Government take over the telegraphs might just as well embody a proposal to have the press controlled by the Government.

Where there are two separate and distinct companies, with absolutely no union of interest, fiercely competing for the telegraph business of the country, this danger of political control is removed, and thus is far superior and far more desirable, from the standpoint of the national welfare, than a Government-owned telegraph system under the domination of a political administration.

It is not such a far cry back to 1884, when the result of the contest between Cleveland and Blaine hung upon the close vote in New York, and the belief that the returns were held up by the Western Union Telegraph Company nearly precipitated a riot in New York. A similar situation might have arisen in the last Presidential election, which was not decided for several days,

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had the telegraphs been in the hands of either a Government or a private monopoly.

One of the most potent examples of the danger of Government ownership is Germany. The German Government either owned or controlled all the agencies and avenues of intelligence which entered most into the daily life of the people. The result was a condition where the people were gradually brought under the control of an oligarchy which held the life and destiny of the nation in its hands, to do with as it chose. If we do not want a repetition of such a condition in the United States we will avoid Government ownership, especially of the lines of communication.

MR. MACKAY'S LETTER TO CONGRESS

Since writing the foregoing Mr. Mackay sent the following letter to every member of Congress:

I realize and respect the responsibilities of the members of Congress of the United States, and as an American citizen and president of the Postal Telegraph Cable Company and the Commercial Cable Company, I would earnestly request that you consider carefully the proposed joint resolution which has been reported to the House of Representatives by the Committee on Post Office and Post Roads, extending to December 31, 1919, the control of the Postmaster-General over the telegraphs and telephones.

SAYS SERVICE IS WORSE

From the statements made, written or orally, by Theodore N. Vail, of the American Telephone and Telegraph Company, Newcomb Carlton, of the Western

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Union Telegraph Company, and Postmaster-General Burleson at the hearing on the so-called Moon resolution, they have apparently determined in their minds that the Postmaster-General shall keep control as long as possible of the telegraph and telephone lines, especially the latter, in order to give those companies guaranteed government compensation, and to finance them, and, most important of all, to increase telephone rates, which increase has been ordered throughout the country.

I therefore, respectfully submit the following:

1. Not the slightest reason is given for Mr. Burleson's continuing control of the telegraph lines to December 31, 1919. They do not need any financing. Their service is steadily growing worse under his management. There is no war necessity for such continued control. Nothing has been done by the Postmaster-General since he took control August 1 last, except to give a high compensation to the Western Union Telegraph Company and disturb the morale of the staff of the Postal Telegraph Company and attempt to raise telegraph rates. The public wishes telegraphic competition restored. The public does not agree with Mr. Burleson, in his remarks before the House Committee on January 21, that "Competition should be eliminated; the period for competition is passed." The Western Union wishes to advance telegraph rates under the shield of Mr. Burleson's control, but the Postal refuses. Meantime the Government is losing money daily on its guaranteed compensation to the Western Union, and that should be stopped summarily. The extension of time from the proclamation of peace to

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December 31, under these circumstances, would be unconstitutional. There is no excuse for the telegraph lines not being returned at once to the two companies.

2. The above reasons, and still more powerful reasons, pertain to the cables. International complications have arisen. The record of the House Committee on the Post Office of January 21, shows that the British Government has issued an order containing the following:

"His Majesty's Government does not agree to either company allowing control of its stations, staff, or working in the United Kingdom, by the other company or by any person acting directly or indirectly on behalf of the United States Government."

SHOULD BE TURNED BACK

The cables should be turned back at once, especially as nothing has been done in regard to them by the Postmaster-General except to remove officers of the Commercial Cable Company.

3. Mr. Burleson's argument as to the telephones is not convincing. He is raising telephone rates throughout the country to an enormous extent against a storm of protest and injunction suits. He does not claim that there is any war necessity involved. The purposes are clear — namely, to raise telephone rates, finance crippled telephone companies and enable the Bell company to gather in the competing telephone companies. How this can be justified under the war power we fail to see. Meantime telephone service is deteriorating rapidly, and the losses to the Government on guaranteed compensation, especially to the Bell company, will be enormous.

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The companies of which I am president are fully capable of conducting their business and financing their present needs and future extensions without any increase in rates. If the Post-Office Department should order an increase in rates (and we believe an increase in rates is unjustifiable at this time) we shall put those rates into effect under protest and shall allow them to continue only during the time of Government control. In my judgment the lines should be turned back to their owners immediately, as it is not pleasing or conducive to good management to have our business controlled as it is to-day by orders of the Postmaster-General given through our competitors in business.

We think it eminently unfair that a committee made up of Union N. Bethell, of the American Telephone and Telegraph Company, G. M. Yorke, of the Western Union Telegraph Company, F. A. Stevenson, of the American Telephone and Telegraph Company, and A. F. Adams, of the Kansas City Home Telephone Company, three of them officials of competitor companies, should be authorized to exercise a dominance in our affairs. I submit these views and facts to you, the representatives in Congress of the American people, depending upon your sense of fairness and good judgment.

I would earnestly request that the resolution reported by the House Committee on Post Office and Post Roads be amended so that the telegraph and cable lines are turned back to the companies at once.

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CHAPTER VI

I

CONSTRUCTIVE FINANCE

Some Phases of Financial Reconstruction

By PAUL M. WARBURG

As destruction once begun on the battlefield spread its waves until its effects had reached all parts of the world, so the work of reconstruction will involve the whole globe far beyond the centers originally affected; and as the character and extent of the disturbance differ in each country affected, so the word "reconstruction" will have a very different meaning in the various parts of the world. Considering the question merely from the domestic point of view, "the movement back to normal" would appear as the main aim and characteristic of our own problem of reconstruction.

Several thoughts, however, will at once occur to us at this point and emphasize the complexity of our task.

First, that the normal of the past is not likely to be the normal of the future, which raises the further question of what that normal ultimately will be;

Second, that between our present level and that of the future there will of necessity be a period of transition — which raises the question of how long or how short it should be;

Third, that both on account of the moral obligation

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involved and on account of the effect that reconstruction in other countries must needs exercise upon our own future economic and financial development, we cannot possibly consider the problem as a purely domestic one — which raises the question of purchases on credit by foreign countries and the influence of foreign purchases upon the course of prices;

And, finally, that the return to the new normal level must not be construed simply to refer to the level of prices and wages, but that it includes the new form of Government influence in business — which raises the question of the restoration of the freedom of individual action and operation, willingly surrendered in the face of war, but held sacred and inviolable in times of peace.

A FORECAST

As I look through the telescope into the period following that of transition, I see a United States to which the world at large will be heavily indebted, and to which annually hundreds of millions of dollars will be due as interest on loans extended, in addition to the hundreds of millions due in payment of the raw materials we shall be able to spare for other countries. I see an industrially highly developed country, which, with the exception of a limited number of articles, will be capable of producing most of the necessaries of life for the consumption of its own people. I perceive, therefore, a country amply protected by a vast annual international credit balance, a country which, by keeping some portion of its foreign security holdings in the form of reasonably short obligations, should be able to protect itself

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against any serious encroachment upon this creditor position; a country owning a huge gold stock, a country, in short, which need not give itself any great concern with regard to its power to maintain the parity of the dollar exchange all over the world.

I much misread the future if it does not have in store for New York the position of a world-exchange center, vying with London as a free gold and discount market. As I see it, our future economic position will be of such strength that it will be difficult for many countries to keep their exchanges at par with us. They are not likely to have sufficient quantities of the goods required by us, nor will they have large amounts of gold to spare, and, therefore, in payment of the things we sell them and of the interest they will have to pay us, they will have to try to find something else than goods that we may purchase from them. That is, they will offer us the individual or collective obligations of their nationals, or their industrial enterprises, or such securities or assets of other countries as they control. If we want these countries to continue to be able to buy our goods, it is therefore incumbent upon us to prepare ourselves to grant these foreign credits and to buy and assimilate these foreign assets.

MUST EXTEND OUR ACCEPTANCES

In order to carry out this program several things are necessary. First, our banks must be able and willing freely to extend their acceptances for the financing of the world's trade. It is inevitable, if our banks and bankers continue to show the same spirit of enterprise and patriotism they have demonstrated during the war,

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that in the financing of the world's current trade we shall have a very large share.

To that end the discount rates of the Federal Reserve banks and the policy of the Federal Reserve Board with respect to acceptance transactions must continue to be liberal. I can well foresee the time when American dollar acceptances will be outstanding to the extent of more than one billion dollars in credits granted all over the globe. And as our banking power and machinery develop, there unfold new opportunities for foreign branches of American banks.

In order to bring about in the United States the successful absorption on a large scale of foreign securities, it is necessary that our investing public be educated properly to appreciate these foreign investments. Intimate commercial relations with foreign countries create the atmosphere of understanding, interest, and sympathy which alone renders possible comprehensive international financing; and inversely it is such financing that encourages the growth of trade relations.

A PEACE FINANCE CORPORATION

In these circumstances, it occurred to me some time ago that by converting the War Finance Corporation into a Peace Finance Corporation and authorizing it to acquire directly, or make advances, on foreign securities, we might create an instrument that would promote our foreign trade and at the same time greatly assist foreign nations in need of our support during a period of political and economic transition. Such a Peace Finance Corporation, enjoying the prestige and strength flowing from the $500,000,000 capital sub-

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scribed by the United States, could exercise effectively its power, within certain limits and for a limited number of years, to issue its own obligations against the foreign securities acquired. In doing so it might render services of the very greatest value in bridging a critical interval. At the same time, it would keep the Government out of direct touch with business transactions, with which, for a thousand obvious reasons, it had better remain unconnected.

WORLD-WIDE INFLATION

We are near the crest of the wave of world-wide inflation. As it was generated and fostered by a chain of interlocking effects and reactions of extraordinary demands for certain goods, reduced power of production of others, rising prices, rising wages, vast issues of Government bonds and circulating notes, so with the approaching end of the issues of Government loans we may expect to see the beginning of a gradual contraction of note-issues and deflation of prices and wages and a return to more normal conditions of production and consumption.

As far as the banking situation is concerned, deflation will have to be brought about primarily by the people's efforts to save and by a contraction of loans following the shrinkage of prices of goods and reduction of the volume of inventories.

Some hold the view that increased production of goods rather than banking deflation may bring us back to a normal relation between money and goods. My own belief is that the solution must be sought in efforts from both ends. The resultant line indicating the

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trend of prices and deflation would then lie somewhere around midway between the highest and lowest points.

PROBLEM OF GOLD DEMONETIZATION

Perhaps I should say a word at this junction concerning the much mooted question of the demonetization of gold as a world medium of exchange. In considering the suggestions made in this connection I have to think of the deaf old lady who, when asked by her table neighbor whether she liked red bananas, answered: "No, my dear, I prefer the old-fashioned night shirt." I confess, when dealing with this problem, that I, too, am old-fashioned. I believe that gold as a medium of actual circulation within the border lines of countries will more and more be relegated to the past; but that as a basis for an elastic circulation and as the ultimate means of settlement of international balances, it will continue to dominate the world. It will not be dethroned for the reason, if for no other, that such a step could only be taken by mutual agreement between gold debtor and gold creditor.

The position of economic superiority held by a creditor country owning a large stock of gold is, however, of so immense an advantage that it will not be voluntarily relinquished by the large number of nations that are the "beati possidentes."

Nor do I believe that the world has turned far enough into a family of communists seriously to consider the pooling by all countries of their holdings of gold. As long as nations have separate national budgets and obligations, they are likely to wish to retain a distinct ownership of their assets. The problems of recon-

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struction are immense and immediate; the new structure must be erected on the most solid foundation and built with material that is thoroughly tested and promptly and actually available.

IS THE UNITED STATES TO LEAD FINANCIALLY?

In thinking of financial reconstruction and of the financial world of the future, do not too many amongst us have this one thought uppermost in their minds: is the United States hereafter going to be the leading financial country? In other words, are we going to take England's place as the foremost financial power?

The whole truth of the matter is, that we have both grown to be pillars supporting the same structure and that neither can fall or become weakened without bringing danger or disaster on the other. England, herself the owner of billions of foreign obligations, will remain the banking center of Europe; a world clearing house.

If I read aright the signs of the times, England and the United States, soon to be joined by France, allies of the past, will be partners rather than competitors in the future — partners not of a close corporation to the exclusion of others, it will be a partnership wide open for any respectable new associate wishing to enter. Or perhaps we might more properly term them joint trustees, with others, administering a great public trust.

PERIL IN GOVERNMENT OWNERSHIP

The war has accentuated and vastly accelerated the growth of Government responsibility and influence

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in business. This development is world-wide at this time, it is natural, logical, and inevitable. While it will tend to elevate business, there is danger that unless carefully safeguarded in both form and scope, it may tend to corrupt and to debauch Government. It is this peril that we are facing at the moment of our proudest triumph, and it must be our serious concern that a national effort born in idealism should not bear the seeds of ultimate national decline. The reconstruction period places us face to face with this problem and it is during this period that thoughts will have to be developed leading to a solution entirely fair to the people.

II

The Decline in Value of Gold: America's Opportunity for Banking Leadership

By A. C. MILLER

Member Federal Reserve Board

During the past four years gold has sustained a most serious fall of value. Tested by price levels in leading markets, it has lost about one half of its purchasing power since the beginning of the European war.

So serious a decline in the value of the standard is naturally calculated to awaken concern. Unless the decline is to be treated as a transitory phenomenon, there would be reasonable ground for dissatisfaction with the continued use of the gold standard. Such dissatisfaction was voiced even before 1914, because of the instability that was exhibited by the gold standard. It is not surprising, therefore, that, in view of the spectacular decline of the past four years, question

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should have been raised as to the desirability of the gold standard, at any rate, unless some method of providing compensation against its fluctuations should be made a part of it. Looked at from this point of view, the immediate problem presented by the gold standard is that of restoring its lost value and insuring the stability of that value.

RADICAL PROPOSALS

But this is not the only anxiety that has been occasioned by the peculiar behavior of gold. Fear has oftentimes been expressed that the vast financial and credit structure that has been built up on the gold basis during the last four years is insecure because of an inadequate gold reserve, a condition which it is said threatens to become worse with diminishing production of gold. The gold standard, it is said, has been put in jeopardy because of the insufficient supply of gold, and heroic measures must therefore, it is said, be taken to stimulate the production of gold. The particular measures suggested for this purpose are the exemption of gold mining from taxation, the granting of bounties to gold producers, and as a much more radical proceeding, the diminution of the gold content of coins.

Gold has fallen in its purchasing power because it has shared the fate of paper from rising prices. Prices at wholesale are up about 100 per cent or more in leading markets in countries where the gold standard still obtains.

Why are prices up, and are they destined to stay up? These are obviously questions that must be answered in undertaking to estimate the prospect of gold.

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FACTORS IN HIGH PRICES

Not until much patient and exhaustive investigation has been made can it be determined with anything like satisfactory accuracy to what extent the great rise of prices which has taken place in the last four years is to be explained by relative shortage of leading materials and commodities, and to what extent it is due to the artificial abundance of money. No doubt both factors have been at work, and the high prices which have prevailed are partly to be regarded as indicating "scarcity values" and partly as indicating inflated prices. The scarcity prices will, no doubt, correct themselves and disappear as industry returns to a normal condition. Inflated prices, however, present a more difficult position. Their corrective must be sought mainly in a diminution in the volume of purchasing power, and must come in the United States mainly in the liquidation of war business and war borrowings.

The expansion of circulating bank deposit credit in the United States during the last four years may be conservatively estimated at from 40 to 50 per cent. The amount of securities issued by the government in the process of negotiating the great war loans — in the form of bonds and certificates of indebtedness — which there is good reason for believing have not yet been absorbed by permanent investment, may be estimated at between $5,000,000,000 and $6,000,000,000.

INFLATION DUE TO WAR FINANCE

A considerable part of our expanded credit and currency structure is therefore undoubtedly to be accounted

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for by the large volume of war securities being carried by or in the banks. It is the considerable addition to the volume of our currency and circulating bank credit thus occasioned that explains much of the rise of prices that we have been experiencing.

In the United States prices are gold prices, all of our paper currency being interchangeable with gold, and therefore at a parity with gold. In part, gold prices have risen because of the abundance of gold, our stock having been increased by more than $1,000,000,000 since 1914. But it is not the direct but the indirect effect of this gold that has sustained the upward flight of prices. It is the great volume of circulating credit and currency based upon it that has put or kept prices up.

Are prices to be kept up, can they be kept up, and will they be kept up?

The fate of gold and the gold standard will depend mainly upon the answers given to these questions. More than this, the character of the whole post-war period and the nature and length of the readjustments which it is admitted must be worked out will depend upon these answers.

DEFLATION MUST PRECEDE LOWER PRICES

Gold will not recover its lost purchasing power until prices decline.

The only reason for doubting whether the existing gold stock of the leading Western countries is sufficient to hold out the expectation that the monetary practices associated with an effective gold standard can soon be resumed is the doubt as to what the attitude of the

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leading countries of the commercial world will be toward a continuance of the present inflated price structure. The whole commercial world is on an inflated basis. The situation is worse in some countries than in others. In some the inflation is a gold inflation, in others it is a paper inflation; but in all a situation has been produced, either by reason of the abundance of gold or the abundance of paper and credit currency, that calls for much the same sort of general treatment, unless the present inflated level of prices is to be continued by acquiescence of the leading countries.

GOLD PROBLEM IS INTERNATIONAL

The problem is, therefore, an international or world problem, and the same may be said of the problem of gold. Gold will not recover its lost value until the present inflated prices disappear. Action by any one country, however, in proceeding to rectify its price situation would probably do much to focus international attention on the problem and to suggest the advisability of taking similar action. . . .

SUPPLY ADEQUATE FOR RESERVE NEEDS

Much as I believe that the permanent economic interest of the United States and of the nations with which we have been associated require that the inflationism produced by the war should be cured by a diminution of banking liabilities, I still believe that the supply of gold possessed and controlled by them is large enough to supply a banking reserve adequate to maintain an effective gold standard, if the supply be redistributed, and providing some of the monetary practices begun

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during the war, which have resulted in a great economy in the use of gold, be continued and the light thrown by the experience of the war upon the ability of a given unit of metallic reserve to sustain a much larger volume of credit than was assumed in pre-war days may be taken as a guide in the future.

Following the classic example of England, the gold standard countries pretty generally pursued the policy of maintaining a considerable volume of gold coin in actual circulation. "No gold standard without a gold currency" represented the orthodox view. During the war the policy of concentrating the gold scattered in the channels of circulation and the pockets of the people into great reserve institutions has been systematically followed, with the results that are reflected in the vast increase in the gold holdings of our Federal Reserve banks and many of the central banks in other countries at a rate far in excess of the annual output of gold from the mines.

VAST INCREASE IN BANK HOLDINGS

Gold holdings of the world's fifteen principal banks of issue increased from $3,646,000,000 in July, 1914, to $6,258,000,000 in November, 1918, a gain of $2,600,000,000, or more than $800,000,000 in excess of the total new gold taken from the mines during this period. It does not seem probable that for many years to come, if ever, there will be a return to the old practice of maintaining a large body of gold in circulation. The gold which has been concentrated in the great reserve and note-issuing banks is likely to be kept there. The gold standard will henceforth be disassociated from a

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widespread use of gold in circulation. The problem of maintaining an effective gold standard, therefore, becomes more than ever a problem of banking, and especially one of the management of the reserve. . . .

FUNCTIONS OF GOLD RESERVE

The contingencies against which a banking reserve of gold was required in pre-war times may be set down as three:

(1) To maintain the parity of internal circulation with gold by freely providing gold to meet a foreign drain;

(2) The psychological function of inspiring confidence in the strength, stability, and safety of a country's financial and credit system; and

(3) To provide a store of purchasing power for use in times of national emergency, such as war.

Of these functions the first is by far the most important from a banking and economic standpoint. It must be mainly by its ability to provide gold for meeting and thereby correcting an adverse balance of trade that the adequacy of the banking reserve carried in any country of centralized reserves must be tested. It is, of course, through the medium of changes in the amount of its banking reserve — flowing out and diminishing when the balance is adverse, flowing in and increasing when the balance is favorable — that the general price level in gold standard countries is kept in proper relation to the world level of gold prices — prices falling as an adverse balance is in process of correction through an outflow of gold and rising as a favorable balance is in process through an inflow.

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Looking at the matter of reserves from the point of view of the price level and of the adjustment of the volume of a country's credit and banking currency to what is necessary to maintain prices at their proper economic level, this may be described as the most important economic function of a nation's banking reserve. The gold of the world and the new gold as it comes from the mines is constantly in process of distribution and redistribution. It is thus that the international price level is maintained or restored in accordance with the underlying conditions governing the equation of international demand and supply of the different countries. As such the gold reserve is an economic regulator of the first importance. It is a method of testing the character and volume of a country's credit and currency, and so keeping it from getting out of line with its economic requirements, particularly in relation to world conditions.

MODERATE SUPPLY A BETTER REGULATOR

As regards this function of a regulator, it seems obvious that it is not the absolute level of the reserve ratio that is significant, but the variations in it which take place. The decline of an absolutely low reserve ratio will serve just as well to indicate an undue growth of banking liabilities as the decline of a higher one. Indeed, there is much warrant, especially in view of recent war experiences, to justify the opinion that a reserve of moderate height is a more sensitive indicator and therefore a better regulator of banking operations, than one of greater height.

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VALUE OF CONCENTRATION

With respect to the function of providing gold to meet foreign demands, it is the absolute quantity of gold held under banking control, rather than the reserve ratio, that counts. The concentration, therefore, of the bulk of the stock of monetary gold in all the leading countries under banking control means a great extension of the facilities for the international mobilization of gold — the loss of a given amount from a large reservoir of gold bulking as a lesser loss than from a smaller reserve, even though the reserve ratio in the latter case was in first instance higher than in the former. The gold strength, for example, of the Federal Reserve System internationally considered is to be found in our holdings of more than $2,000,000,000 quite irrespective of what the reserve percentage of the system as a whole might be. The loss of what in pre-war days would have been considered a very serious drain can now be faced with equanimity.

With respect to the national emergency function of the reserve — that is, making provision by the accumulation of something like a national hoard against the vague contingencies of international politics — much will depend in the future upon the basis on which the affairs of the world are to be reordered as a result of the peace settlement. If the league of nations, the reduction of armaments, and the like become realities, then the accumulation of hoards of gold under the impulse of national fears or ambitions must be suffered to go the way of other outworn practices. Thus will the functions of banking reserves be reduced more nearly

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to the purely economic requirements, and reserves which have been thought to be inadequate be quite adequate.

THE FACTOR OF CONFIDENCE

As regards the vague function of inspiring public confidence, the matter is mainly one of psychology. A reserve is adequate if it is thought to be adequate. The events of the last four years have thrown the matter of the importance of a banking reserve from the psychological standpoint into a diminishing perspective. Not the least of the remarkable financial by-products of the war has been the ease with which popular expectations, confidence, and practices have adjusted themselves to the substitution of fiduciary notes for gold currency. . . .

OUR CHANCE FOR LEADERSHIP

The United States is in an exceptional position for taking the initiative in revising banking practices along more economical and rational lines:

(1) Because of our assured creditor position.

(2) Because of our unprecedented gold position.

(3) Because of our great banking and financial strength.

We are a creditor nation to the extent, if not at the moment, of no distant time in the future, of $500,000,000 a year. We have increased our stock of gold since the beginning of the European war by fully 50 per cent. At the same time, by the Federal Reserve Act, we have reorganized our banking reserve in such a way as greatly to economize its use, making our banking position as a

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whole one of far greater strength and safety than ever before. More than $2,000,000,000 of gold concentrated in the hands of the Federal Reserve banks constitutes the greatest gold reservoir the world has ever known.

We are, therefore, in a matchless position to assume the function of a free gold market, a function which the world in the process of economic readjustment and recovery will sorely need. There must somewhere be a market in which claims can be cashed in gold with a certainty that gold will be forthcoming for foreign shipment. Whatever might be said in justification of the embargo on gold shipments, which the United States, in common with the other belligerent nations, have practiced as a matter of admitted military necessity, the embargo should be lifted at the earliest practicable moment.

We must deal with our great gold stock in a spirit of liberality. We have far more gold than we need to do our money and banking work. The surplus was obtained from other countries largely because of their necessities. They need it back in order to effect the restoration of their finances, more particularly to insure the resumption and maintenance of gold payments. We should not hesitate to part with much of it if we could have the assurance that the countries receiving it would proceed to lift their embargoes and restrictions and deal in the future with gold in the spirit of the new international reciprocity which is expected to be one of the consequences of the war.

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III

Vast Foreign Indebtedness to America — How Can It Be Liquidated?

By THOMAS W. LAMONT

Of J. P. Morgan & Co.

Formerly America was the largest debtor nation of the world. Now in a brief space of a little over four years its position has been reversed and, next to Great Britain, it has taken its place as the greatest credit nation of the globe. Before the war, America's indebtedness abroad was, according to the best data obtainable, approximately $4,000,000,000. Within a year after the Great War began, America began to buy back her foreign-held securities, and, as I figure it to-day, she has repurchased about three fourths of the total. This would leave outstanding abroad American securities of all kinds to the value of about $1,000,000,000, and the interest due from America on this sum is, say, $50,000,000 per annum.

Now let us look on the other side of the picture: Private investors in America have loaned to the foreign governments approximately $2,000,000,000, still outstanding. They may have loaned to private corporations and in other ways $500,000,000, additional. The United States Government has loaned a total which will probably soon reach $8,500,000,000. This means an indebtedness of all kinds of $11,000,000,000, owed from outside this country to the Government and people of the United States; with only $1,000,000,000 on the other side of the ledger, or a net indebtedness to the

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United States of $10,000,000,000. The annual interest on such an indebtedness will amount to at least $500,000,000.

Bear that figure in mind for a moment, and then turn to the trade end of the picture. Prior to the war the annual merchandise trade balance in America's favor averaged, over a series of years, somewhat less than $500,000,000; but this trade balance was almost, if not completely, offset by the invisible balance made up of interest which we owed abroad on American securities, of freights for transporting our goods in foreign bottoms, of money spent by tourists, of insurance in foreign companies, etc.

With the tremendous food supplies that Europe will still need from us, and the great mass of materials for reconstruction, etc., it is probable that in the future the merchandise trade balance in our favor will amount to at least $1,000,000,000 per annum. Furthermore, the invisible trade balance that I have just described will, with the construction of our own merchant marine, largely disappear. In other words, after the declaration of peace, I should look to see foreign countries owing America each year $1,000,000,000 on actual trading account. Add to that the $500,000,000 interest on foreign indebtedness, not to mention payments on account of principal, and we shall see a staggering total of $1,500,000,000 owed and payable to America every year. How long will such a balance continue to accrue? No one can say, but it would not be surprising if the period should exceed three years.

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METHODS OF REPAYMENTS

How is such an enormous, annual indebtedness to America to be settled? When you ask the question, you answer it. There is no possible way, except through the continued and heavy investment by America in foreign obligations, both public and private. Such obligations must, it goes without saying, be sound. They will be sound. They can be made to be sound, safe, and conservative. But there is no dodging the issue that if the world is to move on; if its peoples are to be housed and fed and clothed; if rich America is to do her full share in rendering these services, — then we shall have to lend to, and in, foreign countries on a scale that, five years ago, we had never even conceived possible.

IV

Must the War-Stricken Nations Pay Their Debts to Us? — How?

By GEORGE E. ROBERTS

National City Bank, New York

If we are going to have balances in our favor in every important relation with other countries, how are they going to make payment? There is only one possible way in which it can be done. We will have to capitalize our balances and convert them into foreign investments. We are out in the world to stay, for we never can get our belongings home. . . .

There is a natural equilibrium in economic affairs which in the long run is bound to be maintained. There

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is an altruism in the economic law which prevents an individual or a nation from absorbing wealth without limit. An individual whose investments have reached the point where the income more than suffices for his own wants, goes on accumulating and reinvesting his surplus, although the gains no longer contribute anything to his personal needs or comfort. It is reserve wealth or surplus wealth to him. Nominally and lawfully it belongs to him; he controls it; but, actually, it is in the service of the public.

And so it is advantageous for a country whose stock of wealth is proportionately greater than that of the rest of the world to grant aid to other countries less advanced or temporarily short of working capital. In our economic relations our obligations coincide with our largest and best interests. There is an obligation upon us to assist in restoring industrial order in the devastated regions of Europe, to put these people back into homes and workshops, to supply them with the means to become self-supporting and prosperous again, and it is to our interest to do it because it will give employment to our own industries. Our own interests will be best served by allowing our income from the foreign loans to remain in the possession and service of our debtors. Neither the principal nor the interest will ever be wrung from distressed peoples. When the payments are made, it will be done by the natural readjustments in international affairs, and by that time the productive powers of all countries will have so increased that no burden will be felt.

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ADVANTAGE OF LETTING OUR CAPITAL REMAIN ABROAD

I would like to emphasize, in this connection, what to me is a most suggestive feature of this international situation. We are, I repeat, under constraint by our interests to allow both principal and accruing interest to remain in the debtor countries. Think of just what that means: it means that this capital, instead of being passed over to us, will remain in use in these debtor countries. It will be used to finance their business, to enlarge their industries and give employment to their people. It will contribute to the strength of their banks, it will build up their foreign trade, and if we want to take the narrow view of it, we may say that this capital of ours in their hands will help to strengthen them as competitors of ours in world affairs. And yet it will be to our advantage to do it. We will suffer if we fail to do it. In order to serve our own interests we must serve the common interests, and that principle holds throughout the business world. That Europe shall not pay her debts to us under present conditions is fixed in the very constitution of things, in the framework of economic relations. I doubt if she ever does pay in the sense of sending goods or gold to this country. Not if we remain a creditor nation. We will have interests over there, we will have paper certificates of obligation or perhaps of ownership in properties over there; but if we continue to take interest or dividends in the form of new certificates we will withdraw nothing. A creditor nation, increasing in wealth, is always adding to the holdings of its tin boxes. What difference does it make to the debtor nations so long

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as they have all the property and all the increment from the property?

FOLLY OF BOLSHEVISM

The spirit which finds its blind expression in Bolshevism has its inception in the desire for better living conditions, and it is an affront to that spirit — and an affront to common sense — to conduct the international policies of nations upon the theory that the chief danger to be averted is that of overproduction. Such an argument amounts to a confession of ineffectiveness or non-achievement in the industrial management of the world, and affords a basis for challenging the existing order.

But it is one thing to be critical and another thing to be constructive, and the critics of the existing order, where they get a chance, display a greater incompetency. The condition of the masses will never be improved by paralyzing industry in efforts to divide the existing stock of wealth. The existing stock in itself is of small importance; it is the constant and efficient employment of all the agencies of production, and the regular and increasing flow of goods to the market, which concerns the public. The problem of society everywhere is to organize more effectively — to coördinate, integrate, and balance — production in all branches to obtain the greatest possible output of the things which minister to the common comfort and welfare, and to secure by exchange of products and services their widespread distribution and consumption. This is the great appeal to the enlightened and constructive forces of the world.

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V

Business Outlook, Labor Problem and Motor-Car Industry

By JOHN NORTH WILLYS

I am naturally an optimist in all business affairs, and take a broad view, and in a favorable light, of the necessary readjustments which must take place to put our nation back on a peace basis after being fully aligned for war.

In my opinion the effect of the war upon the economic, social, political, moral, and spiritual ideals of the United States will be to strengthen and more closely tie together all those ideals which make for advancement along staple, healthy avenues, — because deprivation through war has always in the past reflected in victory a determination of the people to look deeper and more closely towards right conduct of business and spiritual uplift.

By the war in a material sense we demonstrated that with our great manufacturing resources we are able to almost take care of the demands of the world, and, thereby, our international prestige has been won and our reputation established.

CAPITAL AND LABOR

The labor problem will probably require more serious readjustment than any other, because of the millions of men that have been taken from the factories, workshops, office, farm, etc., which must be provided for in the near future, and I would not care to venture an opinion as to how it may be solved, but I believe a way

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will be found by joint coöperation to handle this problem successfully.

Development of better relations between capital and labor will depend on the fairness of both to meet the new conditions brought about by the war. Naturally unfair demands by both will create an unsatisfactory business condition. Should a crisis arise I believe a probable solution of any difficulty would be joint meetings between duly accredited representatives of both factions to decide pro and con all the points that may be presented, and that decision to govern.

As to how labor can be persuaded to show a more fraternal spirit — to my mind the most successful way of accomplishing this would be by more humane and just treatment of the men employed, and thus assuring them that their interests are the interests of capital, because it is well known that one cannot succeed without the other, and both sides must realize a more closely allied spirit of brotherhood.

A REAWAKENING OF BUSINESS

Foreign markets will require the close attention of American manufacturers. The countries on the other side of the sea which have been at war are now thoroughly depleted in a manufacturing sense, and for some time to come there will be a great demand for American goods, and by helping those countries rebuild and reëstablish themselves as business competitors we will, at the same time, increase the demand for our goods and place ourselves more strongly in the field as friendly competitors with their own markets.

The coming of peace and the readjustment of business,

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with increased earnings, will naturally enhance the value of securities of a commercial character. Real estate values should not deteriorate and I firmly look for a reawakening in that line of business which will be healthy and permanent. Prices of commodities will naturally depend on the labor and material markets.

I anticipate a recovery in business at an early date, and, while it may be somewhat slow in coming into its own, I cannot see any panicky conditions presenting themselves at this time.

RECONSTRUCTION IN MOTOR-CAR INDUSTRY

The situation which confronted the industry in February, 1918, was an exceedingly grave one. This year the issue we face is even more important to the industry and to the world. For in the period of peace and reconstruction the automobile must play a gigantic part.

Fundamentally, the automobile is simply a unit of rapid personal transportation. That is the real reason for its marvelous development. Every man and woman whose time was filled with intensified duties occasioned by the war appreciates the utility rôle of the automobile as never before. It may be that before the year past, automobile owners were not fully conscious of its indispensable utility. But to-day the world knows the epochal story of its accomplishments at home and abroad.

MOTOR VEHICLES SAVED FRANCE

It is a matter of common knowledge now that the automobiles and motor buses which composed Galliani's

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gallant force saved France. We are told that a second time automobiles were the deciding factor at the battle of Verdun. We have had striking evidence of their efficacy in helping to win many victories for the supply army here at home. We have seen our neighbors and friends helping in motor cars with Red Cross work and aiding in the flotation of billions of dollars in the campaigns for Liberty Loans and War Savings Stamps.

The automobile has made two hours grow where only one existed before.

The automobile industry emerges from war production with greatly added capacity, ready to take up again the manufacture of motor cars in increasing numbers with the added equipment and greater efficiency born of war methods.

The war has enabled us to stop building cars, catch our breath, make plans, clean house, and start again with clearer vision, with greater plans. The unfolding of these plans will be of colossal importance in the reconstruction of business and living conditions throughout the world.

The outlook immediately before us is most encouraging. Commercial reports indicate a good crop yield, which is usually an indication of prosperity. There is demand for all the farm produce the world can develop.

AN ERA OF PLENTY

With millions of men engaged in actual warfare and millions more employed solely in war-production work, there has been an exhaustion of all kinds of commodities throughout the world. We are now facing a period

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in which America will be called upon to make up this depleted supply. France is not ready as yet to begin to help. Neither are other European countries in a position to supply their own immediate peace needs nor those of foreign trade markets to any great extent. America is entering a period in which she will be called upon to a perhaps unprecedented degree.

We have a new consciousness of responsibility toward the lowered living standards of three fourths of the world. American capital and enterprise will be needed in unceasing degree. The needs of the world will never grow less and America's part will not recede. In that lies an opportunity.

There is no reason now why we should slip back from the peak production which was reached before the war. There will possibly be a slight slowing down in changing over to other kinds of work, but we should rapidly gather speed again in getting back on a peace basis.

I think I am safe in anticipating a long uninterrupted period of great prosperity in this country. The automobile industry will contribute a large share in this new era of plenty.

The unavoidable curtailment in manufacture which many of us regarded with anxiety has in reality proved a blessing in disguise. This slowing up in production permitted the manufacturers to devote more time to future merchandising and engineering problems. This has placed the industry in position fully to cope with coming conditions, both from a manufacturing and merchandising standpoint.

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THE WASTES OF WAR

Foreign Loans in the United States

The statement on page 142 of foreign loans placed in the United States and at present outstanding appeared in the Federal Reserve Bulletin of January, 1919.

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Country	Government	State and Municipal	Corporation			Total	Cash Advances and Other Charges against Credits Established by United States (up to Nov. 15, 1918)	Grand Total
			Railroad	Public Utility	Industrial			
Canada and Newfoundland	$180,000,000	$116,060,662	$63,349,000	$71,767,500	$31,486,793	$462,663,955	.....	$462,663,955
Mexico	500,000	.....	128,087,675	.....	.....	128,587,675	.....	128,587,675
Cuba	10,000,000	.....	.....	.....	.....	10,000,000	$10,000,000	20,000,000
Panama	2,911,000	.....	.....	.....	.....	2,911,000	.....	2,911,000
Santo Domingo	12,868,350	.....	.....	.....	.....	12,868,350	.....	12,868,300
Argentina	32,720,000	.....	15,000,000	.....	.....	47,720,000	.....	47,720,050
Bolivia	4,526,000	.....	.....	.....	.....	4,526,000	.....	4,526,000
Brazil	.....	5,500,000	.....	.....	.....	5,500,000	.....	5,500,000
Chile	.....	394,200	.....	.....	.....	394,200	.....	394,200
Peru	1,000,000	.....	.....	.....	.....	1,000,000	.....	1,000,000
Great Britain	733,423,000	.....	.....	.....	.....	733,423,000	3,696,000,000	4,429,423,000
France	449,500,000	86,000,000	.....	.....	.....	535,500,000	2,170,000,000	2,705,500,000
Germany	2,000,000	.....	.....	.....	.....	2,000,000	.....	2,000,050
Russia	85,000,000	.....	.....	.....	.....	85,000,000	187,729,750	272,729,700
Italy	.....	.....	.....	.....	.....	.....	1,051,000,000	1,051,000,000
Belgium	.....	.....	.....	.....	.....	.....	173,380,000	173,380,000
Greece	.....	.....	.....	.....	.....	.....	15,790,000	15,790,000
Roumania	.....	.....	.....	.....	.....	.....	5,000,000	5,000,000
Serbia	.....	.....	.....	.....	.....	.....	10,605,000	10,605,000
Norway	5,000,000	.....	.....	.....	.....	5,000,000	.....	5,000,000
Switzerland	5,000,000	.....	.....	.....	.....	5,000,000	.....	5,000,000
Denmark	.....	176,400	.....	.....	.....	176,400	.....	176,400
China	12,500,000	.....	.....	.....	.....	12,500,000	.....	12,500,000
Japan	102,552,000	5,250,000	.....	.....	.....	107,802,000	.....	107,802,000
Australia	.....	.....	.....	1,250,000	.....	1,250,000	.....	1,250,000
Total	$1,639,500,350	$213,381,262	$206,436,675	$73,017,500	$31,486,793	$2,163,822,580	$7,319,504,750	$9,483,327,330

Note. — The foregoing list does not include subscriptions to foreign internal loans, with the exception of the French Government internal fives due in 1931 and the Russian Government internal five-and-a-halfs due in 1926, as there is very little information published on these items.

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CHAPTER VII

BANKING AND CREDITS

A New Acceptance System to Advance American Trade

An enterprise said by leading bankers to be "the most important business movement which has come before the country in some years," was successfully inaugurated on January 21, 1919, in New York City.

Mr. W. P. G. Harding, Governor of the Federal Reserve Board, in addressing more than three hundred of the most prominent bankers, importers, and exporters in America, said:

I

Developing the American Acceptance Market

By W. P. G. HARDING

In the development of the American Acceptance Market it is necessary to provide not only an outlet for acceptances but means of securing acceptances of bills in adequate volume, and in order to enable American banks and bankers to compete with British banking houses in financing the world's trade, the combined power of American banks whose acceptance can be made available in foreign markets to accept time bills must be large enough to meet all requirements, for

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otherwise, should importers find that it is only occasionally that they can obtain dollar acceptance credits from American banks, due to the fact that these banks have reached the limit of acceptance liabilities provided by law, the importers will naturally return to the sterling acceptances which are available, at all times, in sufficient amounts to meet the demand.

OUR ACCEPTANCE CAPACITY

On a recent date American banks whose acceptances, allowing the greatest latitude possible, might be considered available in foreign markets were found to have acceptances outstanding to the amount of $477,500,000, and under existing limitations on this basis their acceptance liability can be increased by $630,000,000, provided every bank included in the list should be called upon to accept to the full extent of its ability. Many of these banks, however, are located in inland cities, and their acceptances are undoubtedly largely against domestic transactions. When they do accept on foreign transactions it is usually in connection with some credit in which they have been invited to participate.

In the three cities of Boston, New York, and Philadelphia the acceptance line still available for use by the accepting institutions is only $227,000,000. The cities of Baltimore, Wilmington, and Charleston, on the Eastern seaboard, can accept for about $10,708,000 more, making a total available for the promotion of foreign trade of cities on the Atlantic slope of about $238,000,000, while the foreign trade naturally financed in these cities would require a much larger line if any considerable proportion were covered by dollar acceptances.

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LEGISLATION NECESSARY

In order to provide additional facilities for transacting our foreign business it may be advisable to ask Congress that section 13 of the act be amended so as to permit the Federal Reserve Board to authorize any member bank having a combined capital and surplus of not less than $1,000,000 to accept drafts or bills of exchange drawn upon it, having not more than six months' sight to run, exclusive of days of grace, which grow out of transactions involving the importation or exportation of goods, to an amount not exceeding 200 per centum of its capital and surplus, provided that no banks shall be permitted to accept of domestic transactions in an amount greater than 50 per centum of its capital and surplus, or more than 50 per centum of its capital and surplus for the purpose of furnishing dollar exchange, but that any may be used in accepting drafts or bills of exchange growing out of transactions involving the importation or exportation of goods.

By limiting the authority to accept in the larger amount proposed, to foreign transactions, there would be no possibility of the added acceptance privilege being used for the expansion of domestic credits, and the aggregate amount of acceptance outstanding would be controlled by our foreign trade requirements.

Mr. Warburg's views on this tremendously important matter of granting credits to other countries through a new acceptance system are as follows:

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II

Value of Cumulative Effort

By Paul M. Warburg

While, generally speaking, it is readily conceded that it is the duty of the United States to use its newly acquired gigantic financial strength in granting credits to other countries, it is little realized that this aim and duty of ours cannot be accomplished by any small group of banks or men, but that in order to bring our plans to the fullest possible realization, everybody has to do his share. The war has taught us the value of cumulative effort in warfare, as well as in saving. This cumulative effort is necessary also in banking if the United States is to become a leading financial center of equal importance with the strongest of Europe.

In saying this I do not mean to indicate that I wish to see small and unimportant banks entering the acceptance field; quite the contrary, it is important that the class of acceptances that will be offered in the American discount market should be uniformly of the highest possible standard. . . .

Must Proceed Cautiously

I believe that in developing the acceptance business in the United States it is most important that we should proceed cautiously and avoid any untoward event which could undermine the absolute confidence in our bankers' acceptances as an investment both here and abroad. In other words, we must do everything to avoid failures which might result from over-expansion, over-aggressiveness and recklessness in granting credits. . . .

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There is nobody more ambitious than I in wishing the United States to become a leader in the acceptance business, but I believe the basis for it must be furnished by a proportionate increase in capital and surplus, or by organizing a growing number of acceptance corporations, or by interesting a growing number of private banking firms, but not by unreasonably overextending the individual acceptance obligations. I believe that the future of the American acceptance is an extremely bright one, because the relative attractiveness of international acceptance rates is largely governed by the gold power of the few countries involved in that business.

It is impossible to foretell at this moment what our position will be at the conclusion of peace, and how far arrangements to be made between the Allies, and possibly with other countries, will affect our present position of great gold strength. As conditions appear to-day, it would seem that the easiest and most natural way for us to share this strength with others would be by taking upon our shoulders a large share of the credit business, and particularly in the granting of banking credits to be furnished by the world's banking centers.

III

Usury and the Banks

By Hon. JOHN SKELTON WILLIAMS

Comptroller of the Currency

Thoughtful and conservative bankers — the men who really lead the banking sentiment of the country — in numbers steadily and rapidly increasing, are

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now setting their faces and giving their influence against an evil that for years had not only impeded the growth but was threatening the commercial life of important sections of our country, because oppressive and continuing usury inevitably means poverty and failure; and poverty and failure breed discontent which strikes blindly to destroy and tear down.

The business man, the laborer, the farmer driven to ruin by what he believes to be unjust exactions, sanctioned or permitted by law, becomes an anarchist at heart, carries within himself a sullen resentment ready to be touched to volcanic outburst by the first approach of opportunity. He has no hope but vengeance. His fury when he may give it vent is directed against the conditions under which he has been oppressed.

The vice, or evil, or peril of usury — it is all three — is no new thing under the sun and was not peculiar to this country. It was spreading among us, however, with rapidity no casual observer would suppose, and in different communities was silently and secretly sapping the life and eating away the foundations of commercial and social life to an unsuspected extent. I do not wish to talk politics or to discuss socialism. I have had opportunity, however, to notice that States and communities in which literature presenting the most violent, dangerous, and incendiary forms of perverted socialism was most eagerly read and accepted were precisely those in which my reports showed the interest charges to small borrowers were most extortionate.

The sin is one of the oldest known to humanity, and is believed to have been indirectly aimed at in the Tenth

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Commandment. The Hebrew word for usury signifies "cruel biting." Probably it began to bite along with the saber tooth tiger. Its derivation may have suggested to a great English judge of five centuries ago his attempt to distinguish between what he called "biting usury," meaning exorbitant rates, and "toothless usury," or reasonable interest charges. . . .

During most of the periods of Roman history and before its decline and fall, usury was treated as an aggravated species of theft and punished with great severity. Whereas the punishment for theft was only a forfeiture of double the value of the thing stolen, in usury the criminal was punished by condemnation and forfeiture of four times the value of the usury taken. This severe penalty, it is said, was grounded on sound governmental reasons, for it was seen in those days that usury was one of the most frequent causes of sedition and discord among the people.

McADOO EMULATED TIBERIUS CÆSAR

Secretary McAdoo, in depositing, as he did on several occasions, many millions of dollars in the banks to alleviate the strain and bring down heavy interest rates which were being demanded in certain parts of the country, found a precedent for so doing in the acts of Tiberius Cæsar, who, the ancient historian tells us, deposited a "marvelous sum of money in the banks of Rome," the amount being estimated at 500,000 pounds sterling, or about two and a half million dollars, for the purpose of breaking rates charged by usurers in those days, and this money was offered freely to those debtors who were able to give bond and security to

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double the value of the money borrowed. Secretary McAdoo's terms were more liberal.

"The canker of usury," says Tacitus, "is an old venomous foe and is the chief head of rebellion and variance in countries, and it was therefore banished in the old times."

In England, as early as the reign of Alfred the Great, laws were enacted against usury, usurers forfeited to the king their chattels, while their land escheated to the Lords of the Fee, and it was further provided that usurers should not be buried in the sanctuary. In the reign of Edward the Confessor, one hundred and fifty years later, the laws provided that the usurer should forfeit all his substance, be outlawed, and his heir disinherited. Other punishments were added by William the Conqueror, such as whipping, exposure on the pillory, and perpetual banishment.

In the Magna Charta, in 1215, attempts were made to regulate or restrain usury, the provision inserted showing clearly how general the evil was and how oppressive. . . .

In this country the colonies first and the States later undertook to fix and regulate the rates of interest and to define and prohibit usury. Massachusetts fixed the legal rate at eight per cent in 1641, and reduced it to six per cent three years later. Some of the older States, however, refused to adopt usury laws until within recent years. In many of our States, usury statutes have been and are ignored, and where the transgressions against the usury law have been most marked and where usury has flourished most, unmolested, we find enterprise hampered and many unhealthy conditions

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engendered; which reminds one of a saying credited to Diogenes, that "where neither laws have force nor water hath course, there no wise man seeks to dwell."

To the substantial business man, accustomed to reasonable accommodations from banks, there is a kind of ghastly humor in some of the revelations resulting from an investigation into the subject of usury conducted some months ago by the Comptroller's office.

USURY AIMS AT AMERICAN BANKS

It was ascertained at that time that 1,247 national banks, out of a total of 7,600, were openly charging rates of interest forbidden by the laws of their respective States and by the National Bank Act, and that despite the easy money conditions, 2,743 banks were charging on some of their loans interest of ten per cent or more per annum.

One bank admitted under oath that it was charging an average of twenty-five per cent per annum on all of its loans; another, an average of thirty-six per cent; and a third, an average of forty per cent per annum on *all* loans.

The alarming part of all this is that wherever such a case of oppression occurred the agitators, the chronic trouble makers, and the demagogues of the neighborhood or the county made it the text for incitement of rage against the capital and the commercial methods of the entire country. I will mention just a few actual loans made by national banks and reported under oath to the Comptroller's office, which may serve as illustration.

Here is a loan of $1,000 for a month and a half at seventy-seven per cent; a loan of $2,067 for a month at

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sixty-five per cent; $553 for two months at eighty-five per cent; $491 for eighty days at fifty per cent; $200 for three months at fifty per cent.

A visitor to my office from a certain State not long ago, who held a high public office in that State, told me of a loan for $90 made to a farmer to help him to raise his crops, the loan being for less than a year. He said that the bank had charged this farmer, in addition to a large rate of interest, an extra sum of $50 for the trouble of going out to look at the land and for a few preliminaries to the loan.

The practice of making a deduction for expense, in addition to the rate of interest, seems also to have been an ancient one and to have been resorted to hundreds of years ago. It has prevailed to an inexcusable extent up to a very recent date in certain of our States. But in the past year or so, there has been a vast improvement in the matter of interest rates throughout the country. Hundreds of banks have made perpendicular drops from the excessive rates which they formerly charged. Many had been charging on some of their loans as much as fifty per cent or twenty per cent, and in hundreds of cases they have come within the legal rates of their respective States.

NOW, THE BANKS ARE REDUCING RATES

In other instances, where only twelve per cent to fifteen per cent rates had prevailed, borrowers are now accommodated at six per cent and eight per cent. Some banks have adopted a conservative course and apparently have been afraid to reduce their rates too suddenly, but they are moving in the right direction. One bank

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testifies under oath that it has succeeded in reducing its maximum rate from 360 per cent to 109 per cent. Another in the same State reports that it has already brought its maximum rate down from 300 to 30 per cent; others report that they have brought their average rates of eighteen per cent and twenty-two per cent down to the legal rate of ten per cent.

These sensational and inexcusable rates, however, are steadily disappearing from the sections where they have formerly prevailed, and people of every part of this country are at this moment securing money for all purposes, whether it be for commercial business, farming, or industrial purposes, on more favorable terms than ever before in the history of our country.

In divers instances national banks which have been called on to reduce their rates of interest to those permitted by law, have not only complied but have advised my office that they were conducting their business on a plane which is proving not only more satisfactory to their customers, but, all things considered, more satisfactory to the banks themselves, as their business is showing a healthy expansion in response to more liberal treatment. . . . Many farmers who had never known what it was to borrow money below twelve per cent, even on cotton, through the operations of the Federal Reserve System are now enabled to borrow from their local banks at six per cent, and the small local banks are able to borrow in their turn from the Federal Reserve Banks at three to four and one half per cent.

To overcome the whole trouble and rid the farmer and the small merchants in the rural districts of the exactions which have often crippled and sometimes

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destroyed them, a bill has been introduced in Congress, requiring all national banks to keep a record showing the rate of interest charged on each and every loan, and authorizing and directing the Department of Justice to bring suit against usurers, upon information secured by the Department from the Comptroller of the Currency, or from other sources. If this becomes a law, it will be possible to eradicate entirely usury from national banks. It would be difficult to overestimate the blessings which will come to many thousands of borrowers in all parts of the country if the maximum rate of interest throughout the States should be reduced from one hundred per cent and more, which has been charged in the recent past in many banks, to a maximum of six or eight or even ten per cent, according to the legal rate in the respective States.

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CHAPTER VIII

THE PROBLEM OF PAYING OUR WAR DEBT

I

WHO WILL PAY THE TAXES?

BY FRANK H. SISSON

Vice President Guaranty Trust Co., New York

FINANCIERS are now giving considerable thought to our national indebtedness with a view to determining the best method for paying it off. It may be well in considering this problem to recall that Governments have not usually made it a policy to retire their indebtedness. Great Britain has issued her consols, which are a perpetual debt, and these have been considered the best indicator of Great Britain's credit. France has issued her rentes, which also constitute a perpetual debt. The United States stands alone as a debt-reducing country, but this has probably been due to surplus revenues, which have been coincident with the general expansion of the trade and industry of the country.

The war debt of the country today is approximately $16,000,000,000, of which nearly $8,000,000,000 represents advances to Allies, and if it be assumed that the gross debt will be increased to $25,000,000,000 before we are through with the period of demobilization, and advances made to Allies be increased to $9,000,000,000 or

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$10,000,000,000, it would appear that our net debt would not be a heavy one for this country. In addition, consideration must be given to the capital investments that have been made by our Government and which will continue to be made through the development of our shipbuilding program. These would further reduce the total amount of the debt. The payment of the interest on this debt would not seem to be a heavy burden when compared with our total national income and our national wealth, but if we had to pay off the debt in a relatively short period of time the burden would really become heavy. And we must also bear in mind that our Government's post-war expenditures will certainly be at least three or four times what they were prior to the war, or, at a conservative estimate, in excess of $3,000,000,000 annually for the next few years.

WHAT OUR WAR DEBT REPRESENTS

Our present debt probably represents the savings of the country as indicated by our best estimates of the total volume of annual savings. Wars are fought with present goods, and a postponement of the liquidation of a war debt does not involve the shifting to future generations of a burden which is not properly their own. In fact, it is not a shifting of a burden from one generation to another at all, for whether the debt period be a long or a short one, at every payment of interest or a portion of the principal, the income and the outgo are absolutely equal.

The nation as a whole will owe to the holders of its bonds, let us say, some $25,000,000,000. The payment involves a redistribution of the control of the wealth

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of the country. Necessarily the taxes will be paid quite largely by those whose incomes are evidence of their capability to use wealth advantageously for themselves and for society. Therefore, even if we had an ideally just system of taxation, it would still be probable that, in large part, the rapid payment of the debt from revenues collected would involve the transfer of wealth from those capable of making best use of it to those less capable of using it so advantageously.

An attempt to retire the debt in a relatively short period of time would necessitate a continuation of heavy taxes which probably would place a heavy burden upon industry, and this would certainly be unwise.

II

This Generation Must Pay the Cost of War

By Professor C. C. ARBUTHNOT

Western Reserve University

What are the "costs of war"? The answers to this question will depend upon the angles from which the great problem is attacked. The wastes of fighting impress different observers according to their individual outlooks and bulk large within each particular range of view. Perhaps the chief matters of concern in such an inquiry lie in the fields indicated by three topics: (*a*) The human costs, (*b*) The cost in materials, (*c*) The cost in money. The subdivision of the subject should not convey the impression that the parts are unconnected or sharply marked off one from the other, but rather that the whole theme will be easier of comprehension if the parts are considered one at a time.

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1. THE HUMAN COSTS OF WAR

The pen halts at the thought of recording the human costs of war. The broken bodies and the shattered minds, the pains and anxiety, the horrors and despair, the wrecked relationships and the accumulations of hate, the benumbed hearts and the seared souls, all that the soldier endures at the front, and carries through life with him if he returns, all that his friends and relatives bear while he is away and bend under if he does not come back: all these costs are too many and great to be numbered. . . .

2. THE COST OF WAR IN MATERIALS

The materials consumed in warfare are the product of toil and sacrifice and may not be too independently considered as distinct from the human elements of the problem. Men and women have changed the current of their lives and undergone risk and strain second only to those of the soldier in order that the latter might be properly equipped for the direct conflict with the foe.

The materials now devoted to the purposes of war are largely the product of current efforts. Not a great amount of goods and equipment have been carried over from the stocks of past years. Little can be obtained at the expense of the future.

In a sense the future can be drawn upon for material help, but again the amount, compared with what must be secured, is not of great significance. After all possible allowance has been made it is only too clear that the materials of war must be made as the struggle goes

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on and that the people of to-day must pay this cost by increased labor and saving. This burden of providing the enormous quantities of munitions and supplies is as imperative a daily, current duty as is the service of the soldier in the trenches. It cannot be put off nor escaped. The soldiers of to-day fight with the products of civilian laborers of to-day. The costs of war in materials must be paid by this generation, it cannot be passed on to the future. No methods of combining note issues, bond sales, and production of the material equipment for the fighting force in taxation can alter the situation. While the fighting is on, and not after it is over, must the civilians work and save to make the needed goods. The economic costs of reconstruction when peace comes will be additions to the costs of war, not payments for it nor reductions in the expense.

The call to work and save is as immediate and pressing as the call to fight. Neither can be escaped nor postponed.

Saving is important because it releases labor and material from civilians' uses and turns them to the public service. The spender in essence asks people to work for him or furnish material for his own satisfaction. On the other hand, if he saves and turns his funds over to the government he gives to his country the power to secure this labor and material for public defense while he foregoes its private enjoyment. Greater saving and greater exertion in making equipment must precede the fighting, not follow it. The cost of war in terms of goods must be met to-day. It cannot be passed on to succeeding generations.

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3. THE COST OF WAR IN TERMS OF MONEY

The principal methods through which money for war purposes may be obtained are six in number:

1. Requisitions in occupied territory. Germany's practice in Belgium serving as an example.

2. Indemnity from a conquered enemy. Germany's policy at the end of the Franco-Prussian War and at the beginning of this war.

3. The profits of state-owned industries, as the German railways or the mines of England as suggested by the Fabian socialists.

4. Issue of paper money, as the greenbacks in our Civil War and Germany's present issue, disguised though they are as issues of banking institutions.

5. The sale of bonds to be paid for by taxes after the war.

6. Taxation during the war.

The following discussion will concern itself with the consideration of the effects of the second three methods of raising the money needed for war purposes.

The issue of paper money and sale of bonds are alike in that they are both loans, though very different in that the note issue is a forced loan that inflates the currency, while the bond purchase is a voluntary transaction that does not necessarily produce inflation. All three are alike in that the taxpayers have to foot the bills, though collection is postponed in the case of the first two. Bonds and taxes are alike in that the bond buyer and the taxpayer must turn over the money to the government at once, though what is received for the money, a bond in one case and a tax receipt in the

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other, differ widely. Furnishing the money, like furnishing the men and the materials for war, cannot be passed on to later generations. All three must be provided now by the people of to-day. Whatever may come back in the future does not alter the fact that all three, the money, the men, and the materials, must be given up by the people of the present if there is to be any future worth looking forward to. An examination of the different financial expedients for putting the government in funds will indicate the characteristic features of each one and the economic consequences of its employment.

A. *The Issue of Paper Money.* — This is the easiest way, but the suggestion of its adoption is the counsel of folly or despair. Our experience in the Civil War and the bitter lessons from other times and countries ought to keep us from repeating the monumental blunder of financial incompetence. . . .

B. *Borrowing by Selling Bonds.* — No nation is ever likely to put into operation an adequate taxing system upon the outbreak of war. A militant oligarchy hopes to pay the expenses of its adventures out of indemnities collected from the defeated enemy, while democracies will never be so prepared for war that they will have at hand a system of war taxes devised in advance and ready for immediate enactment when the crisis comes. But money must be secured at once. Resort is therefore had to the sale of bonds as the effective method for obtaining the required funds, usually preceded by issues of short-time certificates of indebtedness in anticipation of the proceeds from the bonds. Bonds have this very great advantage of the superior quickness with which they yield the required funds.

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A second significant feature of bond sales arises out of the fact that their purchase is a voluntary action. Joined with this is the convenience in denomination and terms of payment. As a result citizens can adjust the amount purchased to their respective abilities in a fashion that will allow persons of modest means to turn over their savings to the government, as well as offer the opportunity to every other group in the country to advance the needed money in such measure as their resources will permit. By tapping each store in accordance with its contents the bond shows itself a flexible instrument by means of which the hidden wealth and unsuspected financial resources of the great body of citizens are made available for the public service. People voluntarily turn over to the government in exchange for bonds great sums of money that otherwise would lie beyond the ken of the taxgatherer or that could be reached only by the most inquisitorial methods, which would tend to defeat themselves by arraying the ingenuity of the owners against the inadequate knowledge of the officers of the law.

The fruitful resource of bond sales is so effective because it unites the two powerful appeals of patriotism and personal profit. To this call upon patriotic feeling is added the prospect of economic advantage due to the safety of the principal and the payment of pure interest on the loan; that is, interest from which nothing need be deducted as insurance against risk or for care and skill in management. The probable premium on the bonds after the war is also an inducement. A much greater advantage is promised by the probable fall in prices after the war. If we assume that present prices

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are about fifty per cent higher on the average than pre-war prices, then a dollar to-day will buy no more than 65 cents bought in 1914. If prices after the war fall to the pre-war level a dollar then will buy as much as a dollar and fifty cents will purchase to-day. The saver who chooses to buy a one hundred dollar bond to-day rather than spend $100 for current consumption is in reality choosing between $65 worth of goods now and $100 worth of goods after the war, measured on a peace-price basis. In other words $100 invested in a bond now will command when the bond is paid as many commodities as $150 will buy to-day. This is a real premium and a large one, overlooked usually because people think too much in terms of money and not enough in terms of goods.

Added to this gain after the war is another advantage that comes from saving now. Refraining from unnecessary buying for private use during the war reduces the demand for commodities and thus lessens the tendency of prices to move in an upward direction. People by continuing their usual buying compete with each other and the government in the purchase of goods. By this persistent bidding among private individuals and against the government the level of prices is raised all around and money spent does not go as far as before. On the other hand, turning part of one's outlay into bonds reduces this competitive demand, checks the rise in prices, and makes what one does spend for consumable goods able to get more goods in the market. Saving thus makes more saving easier by moderating the rising cost of living.

When it is evident that buying bonds combines these

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economic advantages of (1) safety of principal with (2) pure interest, (3) a probable premium on the bonds after the war, (4) an even more probable advantage of greater amount through a fall in prices when peace comes, with a consequent increase in the purchasing power of their savings, and (5) a tendency to mitigate the rise in prices during the war: when it is seen that these individual advantages are joined with the opportunity to be of public service, the combination of patriotism and profit places at the government's disposal great sums of money with remarkable speed, a result that is vital at the outbreak of war.

C. *Taxation in War Time.* — It has long been suggested that part of the prudent preparedness for war should be an outline scheme of taxation, drawn up in advance, ready to be filled in and enacted promptly upon mobilization. But for reasons indicated above this has never been done.

The process of enacting tax legislation is slow, considering the emergency to be met, and the result is likely to be a statute satisfactory to no one, oppressive to many, and unworkable in some of its parts unless supplemented or modified by administrative rulings. The crudities have to be hammered out on the anvil of experience.

With these disadvantages to be met, the returns from taxes come into the public treasure slowly, too slowly to furnish funds for the great emergency, without the assistance to be had from bonds.

Along with this defect, taxation has the great merit of compulsion that is lacking in the case of bonds except so far as it is provided by the pressure of group or public

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opinion. Taxation forces many persons who are able to pay to do their patriotic duty whether they are willing or not. Much money that would not come to the help of the public voluntarily is reached by the strong arm of the law and drafted into the service of the country. There are so many varieties of citizens that no one method of reaching all of them is adequate. The government must go equipped with every possible collecting agency in order to get, by both persuasion and compulsion in their varied forms, all of the enormous sums that must be raised to meet the pecuniary outlays of modern warfare.

RIGID RULES OF TAXATION

The rigid rules of the taxing machinery have an important rôle to play, though they have limitations in their effectiveness in raising funds. These rules must be general, broad in application, and inelastic in execution, applying to groups rather than to individual and special cases. They get with considerable effect whatever comes within their scope, but much of the country's resources escape beyond the limits of these laws. To reach the resources of some would require such rigor in the law that the burdens upon others would be intolerable, and the harsh rules would so interfere with the free play of business enterprise that the productive efficiency of the country would be reduced. While the limits to the amounts that can be raised by taxation can be greatly widened by education and experience, the policy takes time and can never hope to attain the bond's ability to reach individual capacity.

The taxgatherer's task is made easier in war-time

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by the patriotic enthusiasm for the support of the fighting men. This war-time taxpaying impulse dies down when peace arrives and paying taxes for the discharge of war obligations takes on the character of paying for a dead horse.

There are some types of earnings that are war-bred in character, such as excess or war profits and incomes swollen through the increased business activity due to military operations and the by-products of such enterprises. These temporary, increased incomes should be reached at once, because they will not be available if time is allowed to pass. Prompt, vigorous taxation of war profits or excess profits due to war business, direct or indirect, will make it clear that these gains are due to the general situation and not to exceptional industry or management on the part of the recipients, and that they are not in origin or character to be regarded as private property.

Considerable difficulty is encountered in those cases where businesses must be extended in order to produce supplies necessary for the conduct of the war. No ordinary profit would justify the construction of plants whose product would be without a market should peace suddenly come. Here it would be better not to make the extension on the basis of a speculative, private enterprise, but to have the government underwrite the risk involved in the additional investment as a public expense.

The excess-profits tax bristles with difficulties, but these must be met in order that the rich revenue it will produce may be secured in this time of exceptional need.

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THE RELATION OF BONDS AND TAXES IN DISTRIBUTING THE COST OF WAR

From what has been said it is evident that as a matter of practical, sound finance both bond sales and taxation must be employed in order to get quickly and in adequate amount the money needed to pay the cost of war. The debatable question is the proportion of the income that should be raised by each method.

One of the curious and widespread illusions respecting the advantage of raising funds by borrowing instead of by taxation is to the effect that through the later payment of the loan part of the money cost of the war will be passed on to future generations. It is evident, as indicated above, that this generation furnishes the money required for war expenses, whether it is raised by taxation or by bond sales. The taxpayer gets back a tax receipt while the man who lends to the government receives a bond, but both have handed over money to the public treasury. This generation has put up the hard cash. When the bonds come due and future taxpayers furnish the money to pay the obligations, to whom is the money paid? To this generation which gave the government money for the bonds? Assuredly not. This generation will have gone to its reward by that time and the taxpayers of the next generation will pay the bondholders of the next generation, not the bond buyers of this generation. As long as the problem is considered from the point of view of the mass of the people described as "this generation" as contrasted with future generations, there is no doubt that "this generation" must furnish the men, materials,

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and money needed to win the war and that it will be impossible for the people of to-day to collect anything in return from the people of to-morrow. . . .

For the purpose of illustration let us suppose that (1) the entire cost of the war were met by selling bonds and (2) that all citizens were able to buy the same number of bonds and (3) that the bonds were eventually to be paid for by a poll tax of so much a head, assuming "that all other things remain the same." If each citizen bought a $1,000 bond and later paid $1,400 in poll taxes to cover the interest and principal of the bonds, the effect would be essentially the same, apart from the cost of administration, as if the burden had been met by taxes during the war. Each citizen would have given up at once $1,000 in either case, receiving a bond in one instance and a tax receipt in the other. Were the bond method chosen the government later would reach into the bondholder's right-hand pocket for taxes and pay into his left-hand this same money as interest and principal. If the bonds ran for a long time the same relation between taxpayers and bondholders would continue; paying and receiving would balance each other. There would be no choice between bonds and taxes as methods of raising money.

If the bonds were unpaid for fifty years and the generation of buyers passed away and a new generation inherited the bonds and the obligation to pay taxes, the case would not be altered. This earlier generation would have turned over the money to the government and passed on the bonds to its heirs, who would pay off the bonds with taxes, but this earlier generation would get none of the money. The future taxpayers would

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pay the future bondholders and in this supposed case no one would be ahead or behind, seeing that bondholding and taxpaying are assumed to be equal for every citizen. The original bond buyers might as well have paid taxes as bought bonds. It is of no particular advantage to pass to one's heirs an asset like a bond if it is accompanied by the equal liability to pay taxes.

This supposition of equal power to buy bonds and pay taxes is too far removed from reality to serve for more than an illustrative point of departure. Imagine that the citizens are classed in groups according to their ability to buy bonds, *e. g.*, in the relation of 1, 5, 10, 15, 25, etc., and that they are assessed for taxes in a similar ratio. This might be nearer the real situation, but it is still evident that they would have to give up the price of the bonds at once upon buying them, and that later they would be taking out of one pocket to pay taxes the money which would be returned to the other as interest and principal on the bonds, leaving them neither richer nor poorer.

These suppositions are intended to illustrate what is perhaps evident upon mere statement, that there is no advantage to the individual in the policy of public borrowing rather than in pay-as-you-go taxation if his purchase of bonds as an investment is matched by an obligation to pay taxes later in proportion to his holdings of bonds. He might as well accept a tax receipt at once for his money as to get a bond that he must later pay off himself by turning over money for tax receipts. He gives up cash at once in both cases and his later income from coupons and final payment when the bond system is adopted are matched by his payments

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of taxes. When later taxation is proportioned to bond purchases it is an illusion to think of the bond as worth more than a tax receipt. All of this is based on the assumption that the purchaser of the bond holds it until maturity or passes it on to his heirs.

But it may be objected that the bondholders can sell their bonds, whereas there is no market for tax receipts. If the money were reinvested, the new income would be reached by our supposed system of taxation according to ability. If the price received from the sold bonds were used in untaxed consumption, the seller would be in the group indicated later who would find advantage in the system of public borrowing rather than in taxation.

TAXES BETTER THAN BONDS

There is no escape from the conclusion that if the people generally buy bonds according to their ability and are taxed according to their ability to pay the interest and principal of the bonds, there is no advantage to any one in the purchase of bonds rather than the payment of taxes during the war. . . .

The persons who would gain directly by the bond system would be chiefly the ones for whom postponed taxation would mean escaped taxation: the recipients of war profits or enlarged incomes during the war, the citizens who would be saved from consumption taxes during war and thus be able to buy commodities cheaper, those who would be able to escape their proportional burden through the character of the tax system adopted after the war. . . .

Bonds are an investment to all those who do not later

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have to pay taxes or a proportionate share of taxes to meet the interest and principal. To all others they are the means through which patriots may contribute to the support of the war and later wipe the slate clean by putting money into the government's vaults in paying taxes and drawing it out again by cashing coupons and eventually receiving the face of the bonds. . . .

The outstanding conclusion in this consideration of some of the principles of war finance is that the costs of war in men, material, and money are present costs that cannot be saddled on the future.

PAY-AS-YOU-GO TAXATION BEST

Pay-as-you-go taxation is the logical way to carry the present money cost, but it is impracticable as the sole method because it does not yield fast enough and has never been sufficiently developed to reach fully individual capacity to pay. It must be combined with bond sales to get at once the desired results. The latter yield large sums because of their appeal to patriotism and personal profit. The latter idea of an investment with a net return is true for the individual when the bondholder is not obliged to pay proportionate taxes later for the redemption of the bond. In case he must do so the bond is not in reality superior to a tax receipt gotten at once, though it does rank with any other investment whose returns are destined to pay taxes, and all investments now being made are likely subjects for future taxation. However, the future is so uncertain and the general run of citizens so little given to looking forward that most people regard the bond as an investment. As a result the

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psychological strain of raising huge sums is greatly reduced.

The bond method in addition allows more latitude in the adjustment of taxation in and after the war than would be possible in case all expenses were paid by taxation during the conflict. This possibility of redistributing the financial cost of the war among different persons by the particular system of taxes adopted makes it important to give attention to the types of taxation chosen both during hostilities and when peace comes, in order to make the whole scheme meet the demands of equity and justice.

The presumption in favor of vigorous taxation in war time is strengthened by the patriotic willingness to pay taxes while the struggle is on, by the increased ability to pay of many with enlarged incomes, by the temporary character of some of these larger incomes that makes it desirable that they be reached at once, by the fact that returning soldiers should not be compelled to face heavy taxation to pay interest and principal of bonds owned by civilians, by the probability that in many cases taxation is more effective than bonds in leading people to save, and finally that bonds are likely to be the basis of inflated credit which will raise prices, while their excessive issue with the necessary higher rate of interest will introduce a disturbing factor in the field of savings and investment.

The sum of these considerations of war finance is this: the largest practicable portion of war expenses should be carried by taxation while the war is being fought, and the issue of bonds be kept within the limits set by necessity.

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III

How We Must Pay Costs of War

By Professor IRVING FISHER

Of Yale University

In the special report of the American Economic Association's Committee on Purchasing Power of Money in Relation to the War, headed by Professor Fisher, the proposition is advanced as the starting point of the investigation that "the whole cost of waging the war falls necessarily on this generation alone, and cannot be shifted to the next by loans or any other device." And the Report goes on:

No one doubts this when the money is paid as taxes. But even when the money is paid as loans, the same principle holds true; for the next generation can never reimburse the present generation. It can only reimburse itself. When our descendants pay back the billions "borrowed" to-day to carry on the war they are simply, as taxpayers, paying them back to themselves, as bondholders. The money simply goes out of one pocket into another.

Some people are afraid that great loans will saddle the future with a crushing burden of taxes. We might just as well talk of great loans as a means of enriching the next generation by what their bonds will bring in to them. It is exactly as broad as it is long. That is a chief reason why, after the war, a nation recuperates so fast. When war is over the cost of waging it is over, too.

Future generations will be saddled, not with the bur-

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den of paying for the war, but with the burden of disease, of shattered men, destroyed lands, forests, mines, and factories for which the havoc of war is responsible. It is when we view the distribution of the burden among individuals and among classes that the differences between loans and taxes begin to appear.

If you subscribe to war bonds beyond your share of the burden to-day, your son or grandson may receive more as bondholder than he pays as taxpayer. Thus if the rich finance the war by bonds, and if taxes after the war fall largely on the poor, the descendants of the rich may live on the interest and principal of bonds, paid by the poor. This is a way by which, in the past, wars have often been financed.

The opposite situation is possible, however, and is to-day actually more likely than ever before in history. The poor of this generation are buying many bonds; and in the next, the rich will probably be heavily taxed, and so contribute to the millions of inheritors of small bonds.

COST SHOULD BE PAID FROM SAVINGS

The important thing is not whether the tax policy or the loan policy is most used. The important thing is that the cost of the war should be paid as far as possible out of conscious savings and not out of borrowings. While a heavy tax policy helps toward this end, it could never of itself achieve it. The public should understand that lending by borrowing, though much better than nothing, is still a very unsatisfactory way to help the Government. By raising prices such a procedure tends to shift the cost of the war to the poor,

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who pay it in a higher cost of living. Some organized public policy is needed to guide the distribution of banking accommodations and the expansion of credit, so as to avoid hampering the industrial and financial machinery and at the same time avoid inflation. The danger is, however, that expansion may be carried too far, rather than that taxation will be made too drastic.

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CHAPTER IX

BUSINESS AND FOREIGN TRADE AFTER THE WAR

I

The Foreign Trade Outlook

By JAMES A. FARRELL

Chairman National Foreign Trade Council

President United States Steel Corporation

The remark has become commonplace that one of the most notable results of the Great War was to stimulate the interest of American manufacturers and merchants in foreign trade. But to understand the bearing of such a statement on present conditions, it is necessary that it should be placed in its proper setting. Before the war a concerted movement was already well under way to lend a new vitality to American competition in the markets of the world. The immediate prompting for that movement was the effort to discover a means of relief for the depression which then existed in most of our staple industries. It was a time when the activity of American manufacturing production was sensibly retarded; there was a large and steadily growing mass of unemployment, beside a very extensive stoppage of machinery. A steady increase of foreign trade, which had begun in 1908, had been arrested. Exports in 1914 had fallen below the level of 1913, while imports had increased. When the first National Foreign Trade

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Convention met, in May, 1914, the keynote of the proceedings was the relief of adverse domestic conditions by the opening of new markets abroad for the products of American workshops. This was the purpose for which the National Foreign Trade Council had been founded, and on whose pursuit all its efforts were concentrated. Circumstances then unforeseen promptly changed the whole aspect of our foreign commerce. The war restored prosperity to the United States. Abnormal demands and prices for munitions, foodstuffs, and raw materials accelerated the pace of industry and recalled idle hands to the forge. Within two years after the country emerged from the shadow of impending depression, the annual excess of exports over imports had gone above two billion dollars; the increase in domestic trade had risen ten times, and that of foreign trade seven times over the established yearly increase before the war. . . .

In the last normal year, 1913, the exports of the United States were valued at $2,448,000,000, of which 68 per cent was made up of raw and partly manufactured products, and 32 per cent of fully manufactured articles. Of the $772,000,000 which constituted the 32 per cent of manufactured exports in 1913, it is significant that $430,000,000, or nearly 60 per cent, came under the three classifications of "agricultural implements," "mineral oil" and "iron and steel," the three lines of industry built up by large corporations based upon the principle of coöperation and the command of sufficient capital, resources, and ability to withstand initial losses comparable to the cartels and coöperative selling organizations of Europe. The influences that favored our competitors

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in foreign trade had been labor supply, capital supply, experience in industry and world trade, and the prestige, good will, and facilities of an established business. But in the group of industries referred to we had evidently become sufficiently strong to meet the most highly developed forms of competition in foreign markets on equal terms.

THE TASK BEFORE US TO-DAY

The task before us to-day in respect to foreign trade expansion is not so much to convince as to advise and guide. Entrance into foreign trade is no longer a matter of choice with us. Everybody in these times is ready to concede the significance of the fact that the American industries presenting the most nearly unbroken record of prosperity and sustained labor employment are those which have been accustomed regularly to market over-sea from 10 to 35 per cent of their products. Most men who think on the subject at all are prepared to go a step further and to concede that the production of commodities upon a competitive basis of cost, in amounts sufficient to supply home consumption and furnish material for foreign trade, will be the basis of our future national strength and prosperity. On the money side, there is equal readiness to agree that strength of finance will count for even more than it has ever done before in the development of external commerce. An eminent banking authority sums up the matter by saying that in the coming expansion of world-wide enterprise, the nation that can not only give its own trade, on both the import and the export side, the benefit of complete financial organization and stability, but can extend to

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other nations the benefit of capital and commercial credits, will be at a great advantage over any nation that happens to have its hands full in maintaining its own equilibrium, or which cannot spare capital and credit.

More than this, there can be no great revival of trade in the countries where we hope for it most, unless we are ready to provide capital for their development. We must enter into the industrial life of those countries, engage in enterprises with them, and create out of their resources the new wealth from which will come our pay. Habits of investment are acquired by experience, and conditions in this country have favored investments outside of the country; and the development among us of a body of cosmopolitan investors, such as has long existed in England, must vitally affect the future of our foreign trade. It means, however, an enormous stride in commercial and industrial capacity that we should have passed out of the ranks of the debtor nations, and become ourselves large creditors of all the Allied countries. Then, too, a very important contribution has been made to the financial education of our people in the new familiarity which the bond subscriptions have given them with investment in securities. It is sufficiently plain that our commercial banks cannot properly tie up the deposits of their customers in stocks and bonds of foreign corporations, no matter how good they may be, and that any such form of investment is beyond the power of the savings banks. We must, therefore, look to private investors to assure the broad and deep foundation on which must be reared the American foreign commerce of the near future.

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II

Rebuilding Our Foreign Trade

By Hon. WILLIAM C. REDFIELD

Secretary of Commerce

As far and fast as we may we must set our commerce free from all restrictions and look toward a great and growing domestic and foreign trade. The viewpoint of the Department of Commerce toward this matter is shown in the fact that at its request it is given, in a pending bill, double the funds for commercial work it has ever had. Business men, whether public or private, must, however, consider actual facts in planning both the time and the extent of their trade efforts. Facts are stubborn things. Impatience alone will not remove them; earnest and patient effort may do so. Some trade restrictions arising from blockade are involved in the substance of the armistice itself and can only be met by concurrent action, and must also, when relaxed, be relaxed for those who have been our foes as well as for ourselves and our associates. Others are matters of contract but also require concurrent action, so that we cannot move by ourselves. These, too, involve the time and the extent when restrictions shall be removed from our enemies. The movement, however, on all sides is happily toward freedom of action.

There are those who seem to think that the commerce of the United States has two distinct parts which have little in common. They speak of foreign commerce and of domestic commerce as separate and even at times as almost antagonistic. We are by some urged

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to give less thought to foreign trade and more to domestic trade and have been criticized for so far ignoring the greater and caring so much for the less. Apart, however, from the fact that we operate under law and by appropriations which are laws and may not be diverted from their scope to another purpose, however good, the criticism involves a basic misapprehension. Foreign commerce and domestic commerce are not two and separate but one and the same, though under different phases. The distinction between them is superficial; their union is real. No foreign order can come to this country without involving some, perhaps many, transactions in domestic trade. Wages paid for work on goods sold abroad are expended in domestic business. Materials manufactured for foreign sales come from domestic producers. The foreign commercial field is the friend and supporter of the domestic commercial field. One cannot as a matter of economic fact promote domestic commerce without in so doing promoting foreign commerce. One cannot in truth promote foreign commerce without thereby aiding domestic commerce. Nations do not, indeed cannot, live unto themselves alone. The man or the nation that is self-centered fails of his high calling. We may not in foreign trade or in domestic policy be keepers merely of ourselves. Experience and economics as well as ethics answer affirmatively the question "Are nations their brothers' keepers?" It was characteristic of American energy that when the President announced the close of active military operations through the signing of the armistice many in our land jumped to the conclusion that the war was over and that all that was necessary was to

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take up the threads, go ahead and readjust quickly, get busy, get results. A program of readjustment was suggested and we were to push ahead with business as usual. These ardent spirits, whose energy is not to be abused, for it is that which has created America and won the war, forgot however certain facts which made their ardor unpractical. In the sense of military operations the war was over; in the sense of war problems, war limitations, war difficulties, war responsibilities, it was not over and is not over yet.

Take the problem of food, strictly a war result and a war problem; it is more pressing to-day than ever, more restrictive in its effect upon the pulse of commerce because of its demands on ships. It does not, indeed, come to our breakfast table and say as it did, "Eat less that others may have to eat," because following wise leadership the country has produced enough for ourselves and to spare for others. But this very abundance presses hard upon the tools we have available to do the work of transporting and distributing, and the very volume of this abundance calls for special efforts in financing.

THE PROBLEM OF CREDITS

Consider well the problem of credits. We are the great unexhausted reservoir of finance, but if we are at one and the same time to finance a great revival of trade at home and a large part of the necessary reconstruction abroad, may there not be a question whether this tool of trade will not be overstrained to do all the work required of it? The apostles of hurry should remember that conditions seem to be such that we who would trade must also furnish the means to pay the

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bills, and this not for ourselves alone but for others as well. This is a new problem, a war problem, a novel responsibility, but very real. Our brethren overseas are doing their best to care for themselves.

A FLOOD OF ANARCHY

We must remember also that the possible problems of force are not wholly gone. Germany seems in chaos; Russia we know is so. Who will say to-day what is the future of Bolshevism? Voices are raised, indeed, to say we have nothing to do with Russia, and perhaps it is not wrong to infer that they would argue we have nothing to do with the internal forces of what is to be the new Germany. We have been fighting, however, the battle of freedom against autocracy; are we supposed therefore to have no concern in the battle of freedom against possible anarchy? Is it meant that we can withdraw like the turtle within his shell or like the ostrich bury our heads in the sand? Can we, dare we, permit a flood of anarchy, if it will be such, to sweep over central as well as eastern Europe to threaten the peoples who have fought by our side, and if this is done then certainly later to threaten us? Who can answer the question whether it would be wise or even safe now to reduce ourselves to comparative military weakness until we know more of the nature and purpose of the forces which have overwhelmed one empire and threatened the successor of another?

THE NEW-BORN NATIONS

We must consider also that the newly born nations which have been created amid the storm of war are but

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barely born. Their exact boundaries are in some cases yet undefined, their organization far from complete. They are not now able to buy largely. They need time and definition and formal welcoming into the family of nations and the establishing of credits before they can become large markets. The status of Syria, Mesopotamia, and Armenia hangs in a still uncertain balance. In planning for commerce with these countries we shall do well to recall that "All things come to him who will but wait." Meanwhile the actual work of reconstruction goes ahead.

Nevertheless it is important that we have, both now and in the future, work to do for labor and for factory, and that we look wherever we may for markets at home and abroad. It is for this purpose that the Department of Commerce exists. Its organization at home and abroad is complete. It will need the motive power of sufficient appropriations. Without these it will be all but helpless. It has asked Congress for much larger sums than have ever been given to it in the past, and it hopes and believes that it will secure favorable consideration for its requests. There are three forms its commercial activities are expected to take: The promotive abroad, the scientific at home, the coöperative at home. The first two are now being greatly expanded. The third is new, a valuable legacy from the War Industries Board.

HOW THE GOVERNMENT HELPS BUSINESS

Our promotive work lies in the hands of the Bureau of Foreign and Domestic Commerce. This service maintains a foreign force of its own and works in close

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coöperation with the Consular Service. The two combined provide in every important country a threefold force which may be termed a general fixed force, a local fixed force, and a traveling force. The first consists of the commercial attachés, officers of the Department of Commerce, with a general outlook upon the commerce of the nation to which they are assigned. They have nothing but commercial duties to perform. They aid and are helped by the presiding officers of the Consular Service, with whom it is our earnest purpose they should coöperate; and they are also the commercial assistants to our Ministers and Ambassadors, who have repeatedly acknowledged the value of their services. What I have called the local fixed force comprises the consuls, under the Department of State. They are settled at local points with fixed areas. In these they perform many other duties besides commercial ones. They are thus necessarily limited in area to their district, in scope by the legal requirements to give other matters than commerce much of their time and thought. They keep offices. The work done by these officers is of fine and increasing value. They are an important and productive element in the foreign commercial force of the Government. The traveling force is composed of trade commissioners. Two representatives are present. They take special subjects or lines of business and, being familiar with them at home, study them in different countries or in groups of countries abroad, report upon them while in the field, and on their return make both oral and written reports which reach alike individuals, business houses, and the general public.

This threefold foreign service is matched by a do-

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mestic one which covers the entire country with seven district offices and seven coöperating offices through chambers of commerce, and is aided by a continued series of publications, one of them daily, which both by countries and by subjects make the information available to all who desire it. It is a matter of constant occurrence that business houses and organizations at much expense seek abroad information which is available for them without cost and on demand in Washington. Every effort is made, short of direct advertising which is not permitted, to inform the business public that to-day there are organizations doing for pay some of that work which we freely do, and the business world does not as yet avail itself as it might of our service. The demands, however, press us hard and we are enlarging our force and facilities to meet them. Broadly, the fact is that this free commercial service covers the whole earth and is so flexible that it can cover the widest needs of American commerce; its extent depends solely upon the funds provided. We have been complimented by having the organization and effectiveness of this service commended by our foreign competitors and followed by them in their own work.

SCIENCE AIDS INDUSTRY

The scientific world on behalf of commerce and industries centers in the Bureau of Standards, with certain interesting specific instances in the Bureau of Fisheries. Of this latter we may briefly say that it has aided the development of a new leather supply from aquatic sources through which the shark, the ray, and other unused fishes have become of economic value. It

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sustains the pearl-button industry by maintaining the supply of raw material and has created in this country the industry of dressing, dyeing, and finishing seal furs and other fur skins. The Bureau of Standards offers to the industries of America that scientific support which Germany has given hers, but which we have hitherto lacked. Its great research laboratories are finely equipped, and its experienced staff is competent and eager to aid industry. It seems commonplace to say that the basis of industry is accurate knowledge, but this truism, as it seems, has not been true as a whole of the industries of America in the sense of their having accurate scientific research into their own affairs available for them. When chemistry entered the steel business so-called practical men objected, and the man of science has not always been welcome in American factories, with some fine exceptions. Our industries are coming to see their need of scientific research. Some of them know from experience how fruitful it is. The Bureau of Standards, released from its intense war activities, offers an opportunity of helpfulness in this direction, having built and equipped great laboratories with that largely in view, and welcomes an opportunity to coöperate with the technical men of the industrial world in mutual helpfulness.

VALUE OF THE DEPARTMENT OF COMMERCE

The coöperative service consists of two branches — that which is called directly the Industrial Coöperation Service and the Waste Reclamation Service. These are valuable legacies from the War Industries Board intended to continue under peace conditions much of

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what was well done during war. Their purpose is to standardize on the commercial side as the Bureau of Standards does on the scientific side, to do away with wasteful and hurtful trade practices, to eliminate unnecessary sizes, styles, and varieties of goods, to learn and strengthen industrial weaknesses. Its purpose is flexible and is as wide as the needs of industry. It has no compulsory powers, but operates through common counsel. It is in touch with business organizations and has at its command the advice of the gentlemen who were the heads of the various divisions of the War Industries Board during the war and represented great industries therein. The Waste Reclamation Service, a sister legacy from the War Industries Board, has had great success in the salvaging of wasted materials, and our plan is to continue that work in coöperation with numerous national societies and with the officers of municipalities all through the land. It would not be outside reason to think that the continued operation of this single service may readily return to the country many times annually the entire cost of the whole Department of Commerce and the same is true of the Industrial Coöperation Service.

In brief, therefore, the Department is prepared, if it shall receive the support of Congress, to sustain our commerce and industry both in the domestic and the foreign field, providing both a scientific and a commercial service at home coöperating with the great commercial service abroad. It is, we venture to think, a unique governmental organization, better equipped with men and apparatus than anything of its kind in the world.

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III

The Ideals of American Business

By HARRY A. WHEELER

President Chamber of Commerce of the United States

Reconstruction is difficult to define and even more difficult to interpret because the problems are world-wide. Literally it means to construct again, to rebuild. We used the word freely in the period after the Civil War to indicate "the process by which the seceded States were restored to their rights and privileges of the Union." In many of the belligerent countries the word may be very correctly applied, involving as it does the physical reconstruction of a devastated area over which the ravages of war have swept, and in other countries the setting up of new governments to replace those overthrown; but in our country neither of these conditions confronts us, and as applied to our home concerns, our problems are those of readjustment, and our use of the term reconstruction in connection with the period upon which we are entering is justified only where we apply it to the international relationships in which we are participants, or in order that a common term may indicate the character of the period through which the world is passing.

TWO PHASES OF READJUSTMENT

I wish, therefore, to present for consideration two distinct phases of reconstruction or readjustment, one dealing with our international relationships, and the other bearing upon our internal affairs, for an endeavor

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to adjust the latter without taking into account the former would be to invite certain failure.

The footing or foundation stone of political *and* economic reconstruction will be laid in the peace treaty.

Men of business may not be regarded competent advisers in matters of diplomacy and statecraft as affecting political reconstruction, but as a corollary to this assumption, the diplomat or statesman may not be regarded as a wholly competent adviser in matters of economic reconstruction.

That these two phases of the problem will share equally in the peace negotiations, no one may doubt.

Bad diplomacy has been responsible for much of the world's ills. Commercial relationships have been sorely strained because they were intermingled with political intrigue, but now, on the one hand old barriers have been broken down by the alliances and associations of war, while on the other, new barriers have been raised by enmities resulting from conflict between nations formerly on a friendly footing. These new alignments merit a new brand of diplomacy, and diplomacy may well take a lesson out of the book of Commerce and by applying Modern Commercial Ethics to diplomatic relations learn how much easier it is to deal simply and directly than by the devious parts and labyrinths of evasion and deceit.

COMMERCE IN THE COUNCILS OF PEACE

We may assume that commerce will play an important rôle in all of the world readjustments, and it becomes imperative that in the peace terms which presently will come under discussion, certain fundamental consider-

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ations affecting commerce shall not be overlooked. Furthermore, in the counsels which shall determine the international political and economic relations of the future, American business, in common with like interests of other nations, should be consulted in framing the peace conditions.

International harmony cannot long endure secret diplomacy, and side agreements exist between certain units in the family of nations. Combinations between nations made for the purpose of undermining or destroying the influence or standing of other nations are as reprehensible as combinations in trade for the same purpose.

AN INTERNATIONAL PLAN FOR RATIONING RAW MATERIALS

Failure to deal generously in the distribution of raw materials will seriously impede the industrial restoration of nations not fortunate enough to possess basic materials of their own in surplus for trading purposes.

Should not the United States lead in proposing an international plan for rationing basic materials and stabilizing their cost, so that the temptation to selfishly profit by the original ownership and control shall be replaced during the period of reconstruction by a broad recognition of the needs of all nations to reëstablish their productive power under as little restraint and as rapidly as the circumstances may permit?

Such a plan of rationing is not a function of the government exclusive of the aid and counsel of those expert in handling these commodities. Making the plan and carrying it into effect should be left to those who know the processes of production and distribution, with only

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such government participation as may give official sanction to the plan and provide the regulation that will assure fair dealing and reasonable prices.

A LIVE AND LET LIVE POLICY FOR THE WORLD

The principle of economic boycott, often advanced as a punishment to those nations guilty of disturbing the world's peace, is neither politically nor economically sound, nor is the principle of "favored nation" in commercial treaties. These would tend only to drive the nations farther apart and increase the unrest in the industrial world.

May not the United States lead here, also, in a declaration of principles providing for such adjustments as will ultimately assure a live and let live policy for the whole world?

The fourth and last of the international problems of reconstruction is the use of the remaining ocean tonnage and of the new fleets as they leave their ways in the common service of all nations.

Belligerents and neutrals alike have been sufferers from the practical operations of the German submarines. Loss of shipping has, more than any other single factor, overthrown the normal operations of commerce and trade, destroyed production, and brought great numbers of the world's population near to starvation.

Reconstruction cannot proceed under principles of just consideration for the needs of all nations except as those countries having ships available shall so far pool their tonnage as to make it of universal service. Happily the United States, with its ocean fleet increasing daily, is in a fair way to set an example in this as in

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other matters involving international problems of reconstruction, and American business may well consider a memorial to our own government and through it to the Peace Conference, for the adoption of such plans during the period of reconstruction as will assure a joint control and distribution of overseas shipping to provide all nations with their immediate needs of food and with raw materials, and transport for their products.

We have been said to be a people of ideals. Well, I hope we are. We are given a demonstration of the fact every day that the most cold-blooded and self-centered man of business, when he is confronted with a high ideal, is amazing in the rapidity with which he rises to the ideal and the rapidity with which the selfishness drops away from him; it is discarded almost like a cloak that is thrown aside. For, after all, underlying everything in American nature, we have the idealisms that have been planted here in our nation and have been planted in our lives in all the years of our history, and they are as inseparable from us as parts of our own being.

My belief is that American business in the Peace Conference, in the negotiations with the factors in Europe with which we must come in contact in arranging a world-wide reconstruction program and in the consideration of our own commercial and industrial interests at home, will rise clearly above the sordid and the selfish and the material things and will strive to lead the way in the conference of nations on reconstruction to that high plane where every man and every nation will have a chance to rebuild his life and his

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existence under conditions that will be as nearly as possible those ideal conditions under which we have been born and in which we have been privileged to live.

IV

American Attitude on Treaty Readjustments

By FRED BROWN WHITNEY

Chairman, American Manufacturers Export Association's Committee on Commercial Treaties and Trade Agreements

The American attitude on treaty readjustments, possibly, can be surmised, by foreigners, who grasp the American way of looking at the history of Europe under autocratic kings; and the facts that the United States can meet with clean hands and a clear conscience any nation that thinks it wants to abrogate, amend, renew, or negotiate new treaties of all characters, as incidents of the war, peace, and reconstruction; and that the United States will come out of the war just as it went in, for one principal purpose; namely, to protect, perpetuate, and make progress for, the democratic principles upon which the Republic is founded and rests secure.

Materials, money, and men, it has lost, not gained. No such gains were expected, wanted, or needed. Just as the United States sympathized with the nations that are fighting against the "rule and ruin autocracy" in Germany, the United States sympathizes with these nations in their loss of materials, money, and men, and fully appreciates their needs of materials and money to reconstruct their damaged facilities, in order that those who have survived may pursue happiness

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and have an honorable livelihood. The United States naturally wants in Europe strong nations with governments absolutely controlled by the citizens thereof, so that they can defend the faith of those who believe in democratic rule rather than autocratic.

Many of the people of our Republic firmly believe that the doctrine of the divine rights of kings is fast sinking into oblivion and that soon the greater part of Europe will have governments controlled unconditionally by the people, and peace everlasting, because it is not likely that countries which are run by the citizens thereof will war with each other over the private squabbles of the citizens thereof, or what a private citizen of one may do to the head officials of another.

Such are the methods of a republic and autocracies; it has been ever so in Europe because history reveals that:

(*a*) The war of William the Conqueror against France was precipitated by the King of France who made personal reference to the obesity of the exceedingly sensitive William, who was so stung to the quick that he swore his favorite oath,

> "By the splendor of God, I will light one hundred thousand candles when I go to my churching mass,"

and proceeded to personally lead his army against France.

He died shortly after from a wound inflicted by the pommel of his saddle.

(*b*) The Hundred Years' War resulted largely from the kings of England and France taking up the petty quarrels of their rival fishermen.

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(*c*) The Thirty Years' War was caused by the attempt of the King of Bohemia to avenge the pitching from a window into a moat, of two of his favorites who had engaged in a religious squabble, which by the King's actions, was turned into a public war that was one of the bloodiest in history.

(*d*) The length of the Seven Years' War resulted largely because Mme. de Pompadour, a favorite of Louis XV of France, hated Frederick the Great of Prussia, who resented this favorite's flattering messages, and thereby caused her animosity which led her to influence Louis XV to join Austria against Prussia.

(*e*) The Franco-Prussian War of 1870 was precipitated by a trivial action of King William of Prussia, who met the French Ambassador on the promenade of a watering place. The Ambassador brought up a dead diplomatic subject, the King referred the Ambassador to his Chancellor, turned on his heel and walked away without attaching then much importance to the incident; however, the version was given out to the effect that the King had insulted the Ambassador of France. France was aflame and cried, "On to Berlin." Napoleon III declared war and the Germans came on to Paris.

(*f*) The Russian-Japanese War was influenced somewhat by the general attitude of Nicholas toward everything Japanese. When Nicholas was Czarowitz he visited Japan where, in a sacred temple, a religious fanatic assailed him with a club and dagger. Prince George of Greece knocked the fanatic down and saved the future Czar of all the Russias, who, when he ascended the throne, joined with France and Germany to deprive Japan of the fruits of victory over China, and later

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listened to those counselors who argued in behalf of a war between Russia and Japan.

The American attitude, expressed in the resolutions of the Chamber of Commerce of the United States, in reference to a popular form of government for Germany, must be considered by anybody who seeks to alter the commercial relations of the United States with any country which is dominated by an autocratic king.

It is essential that treaty makers grasp why the free people of America prefer the will of a free government to the whim of any autocratic king and understand the predisposition of a democracy in making treaties with governments of, by, and for the people.

Specifically what the United States will do *re* Treaties incident to war, peace, reconstruction, and thereafter, is a subject of the future; however, a study of facts, figures, and opinions may naturally lead one to believe that the substantial indications are to the general effect that the United States:

(*a*) Will come out of the war one of the richest and most powerful nations in history.

(*b*) Has no desire or design to use that power or wealth for any purposes other than beneficial to the general welfare of mankind.

(*c*) Will gain solely what it entered the war for: the protection, perpetuation, and progress of the democratic principles upon which the Republic is founded.

(*d*) Will not discriminate economically or otherwise between nations that respect and observe the principles, that the humblest citizens thereof possess the inalienable rights of life, liberty, and the pursuit of hap-

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piness and from such citizens a government derives its just powers.

(*e*) Will not enter into any treaty, alliance, or confederation to give preference by regulations of commerce or revenue in order to practice discriminations, as such, between nations.

(*f*) Will not propose changes in commercial relations or treaties until the same have been considered scientifically by experts familiar with the economic needs of the country, the diplomatic relations between the countries involved, and the character of legislation needed to meet the terms proposed.

(*g*) Will, in making any commercial readjustments, seek to secure concessions especially adapted to the United States products rather than to depend upon concessions embodied in treaties with other countries which may change their treaty relations without regard to, or for, the economic needs of the United States, and to accomplish the foregoing, will want distinctive schedules and highly specialized classifications in order to prevent any discriminations against typical American specialties and to eliminate the innumerable assimilations to other articles in which the United States has little, if any, interest in common.

(*h*) Will not favor the continuation after the war of any war restrictions on exports and imports; except, possibly, for a short time, in case such restrictions are imperative to adjust abnormal exchange situations, transport troops home, and to equitably ration essential materials in the event the supply thereof cannot keep up with the demand therefor.

(*i*) Will liberally and adequately coöperate with the

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nations seeking to reconstruct their war-damaged industries for the purpose of giving remunerative employment to the artisans thereof.

(*j*) Will not lend itself to measures designed to enable foreign employers to pile up unreasonable profits from industry or commerce.

(*k*) Will so use its resources as to try to preserve the standard of living of the American workmen.

(*l*) Will not become a party to any treaty or trade arrangement incompatible with the foregoing principles or with the political, economic, and other principles announced as essentials of peace by the President of the United States of America.

V

New Pan-America Grows from War

By Hon. JOHN BARRETT

Director-General Pan-American Union

The world war has done more, strange though it may seem, to promote real solidarity among the American republics than any other influence since the declaration of the Monroe Doctrine in 1823. Pan-America and Pan-Americanism have had an impressive meaning for a hundred years, but nothing like the significance which they will have in the future. There is looming up before the world a power of united action in the coöperation of all America that demands world attention. . . .

Until this world struggle came on there had been no great event or combination of events in history, since the common efforts of a century ago of the American

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republics to secure independence, which made a vital test of their unity of interest and action. It required a situation like a death struggle between democracy and autocracy to prove whether the Pan-American castle was built of paper or concrete.

Just before the United States entered the war predictions were freely made by the enemies of the United States and the Allies that, if the United States participated in the conflict, she would find that Pan-Americanism was a mere term and not a reality, and that her sister republics of Central and South America would desert her in the crisis. . . . The Director-General of the Pan-American Union, who for sixteen years has labored in behalf of the cause of practical Pan-Americanism, never losing belief in its strength of principle, was assailed as the apostle of a false creed!

WHERE REPUBLICANS STOOD

What were the actual facts when the armistice was declared? Of the twenty American republics reaching from Cuba and Mexico on the north to Argentina and Chile on the south, thirteen had actually broken relations with the common enemy of the United States and the Allies; eight of these had gone further and declared war; seven only remained technically neutral, but nearly all of these were benevolently neutral and were characterized by a press and public sentiment that were almost unanimously pro-United States and pro-Ally. In every capital of Latin-America, whether that of a country engaged in the conflict or neutral, there were repeated pro-United States and pro-Ally demonstrations and enthusiastic acts of sympathy.

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In no capital were there spontaneous pro-German demonstrations. Of the ninety millions of peoples living in Latin-America it can be safely said that seventy-five millions were sympathetic with the United States and the Allies in their fight for the victory of democratic principles. There is no question, moreover, that if the war had gone on another six months, practically all of the Latin-American governments would have broken relations with the enemy of the United States or declared war upon it.

It will be agreed that in the consideration of the question of a new Pan-America and a new Pan-Americanism conclusions can be drawn from the attitude of the press, the speeches of representative statesmen, and the writings of influential authors. Never before has there been such a warming toward the United States in the views expressed this way as has characterized the last year and a half. The unselfish, high-principled attitude of the United States in this war, the interpretation of what the United States was fighting for by President Wilson, and the methods and achievements of the United States were everywhere applauded throughout Central and South America. . . .

On the material side, moreover, as a result of the necessary developments of the war, the commercial, financial, and other business interests of Latin-America came into a new contact with those of the United States and a new realization of the interdependence of the American republics. The importers and exporters of Latin-America discovered possibilities of trade with their brethren of the north of which they never dreamed before; they learned for the first time that there could

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be evolved a mighty Pan-American economic, commercial, and financial relationship which would make Pan-America almost independent of Europe.

NEW VIEW OF US

Still further, on the intellectual side, the war gave Latin-America a new outlook upon the United States. It caused the Latin-American peoples to study the institutions, the educational, the social, and the intellectual development of the United States as they had not done before. It inspired great numbers of their men and women to come to the United States for the purpose of travel and study, who before had always gone to Europe; and they found in the United States a welcome and an appreciation of them which they had not before thought possible, because of differences in language and race. So pronounced did this particular development become that within six months after the United States entered the war one could hear in all the hotels, cafés, and restaurants of New York, and upon the streets and in the theaters, more Spanish spoken than any other foreign tongue, not excepting even French!

On the other hand, the war has awakened the American people to an appreciation of the peoples and countries of Latin-America which they did not have before. Although, through the unremitting labors of the Pan-American Union, of the Departments of State and Commerce of the United States, of the United States Ambassadors, Ministers, and Consuls in Latin-America, and of the Latin-American Ambassadors, Ministers, and Consuls in the United States, a great Pan-American movement had been inaugurated many years ago and

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had rapidly progressed during the passing years, it required some overwhelming stroke like the war to arouse widespread interest throughout the United States in Central and South America. The dependence of the United States and its allies upon Latin-America for all kinds of raw products necessary for the manufacturing plants of the United States and for the conduct of the war caused those economic, commercial, and financial interests of the United States which have not before realized the resources of Latin-America to now respect them.

The splendid response of the Latin-American Governments and peoples to the necessities of the situation . . . appealed to the rank and file of the American people and caused them to say, "Well done, our sisters of the South; for such attitude and action we must know you better." Every time a Latin-American Government took its stand alongside the United States and the Allies there was applause from New York to California, followed by a desire to learn more of the country and people taking such a step. An interest, before lacking, was taken in Latin-American statesmen, financiers, merchants, and scholars visiting the United States. In the universities, colleges, and public schools there grew a desire to know more of the history, geography, resources, and languages of these Southern lands.

CLEARING HOUSE OF OPINIONS

These conclusions are based upon the actual knowledge of the Pan-American Union which, as the international organization of all the American republics, devoted to the development of commerce, friendship,

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and peace among them, is an ideal barometer of Pan-American sentiment. The correspondence that pours into its office from all over the Western Hemisphere, the newspapers from all parts of the United States and Latin-America which are perused by careful readers, the numerous callers from both North and South America, bear out these statements in addition to the remarkable record already given of the attitude of the Latin-American republics in the war. To-day the mail of the Pan-American Union is flooded with inquiries of every kind from all classes of men and women in regard to the Latin-American republics and the possibilities of practical Pan-Americanism, which means in its simplest interpretation "the coöperation of all the American republics for their common good."

In the ten years previous to the outbreak of the world war, the trade of the United States with Latin-America grew more rapidly than that of any other nation. Contrary to the general impression, the commerce of the United States with Latin-America in the last fiscal year before the outbreak of the war, 1913–1914, was larger than that of Germany. . . .

Again, to show how the United States and Latin-America coöperated to take care of the unusual commercial situation resulting from the war, the value of exports and imports exchanged between the United States and Latin-America grew, during the four years of the conflict, nearly one billion dollars, or, from approximately $750,000,000 to $1,750,000,000.

Although this increase may have been due largely to the disappearance of the Central Powers from the field and the forced limitations on the trade of Great

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Britain and France and the neutral countries, and also to the increased cost of articles and the lessened value of the dollar, still, these figures are most suggestive of the interdependence in trade and finance of North and South America — an interdependence which is going to grow stronger in the future era of new Pan-Americanism, provided the financial, commercial, and governmental interests of the United States will do their part in meeting the problems and necessities that are before them. Let the business interests of the United States get away from the "bogy" that those of Germany can outdo them in Latin-America, and, taking advantage of what they have done in the war, go ahead now with the intention of serving Latin-America the best they know how, with fairness, with a square deal uppermost in their minds, and with the intention of developing confidence as well as commerce.

AGENCY OF FRIENDSHIP

It is fitting to say a word about the Pan-American Union as a practical and powerful agency for the advancement of commerce, friendship, and peace among the American republics. Let every person who is interested in practical Pan-Americanism realize the facilities of this office in Washington, housed in a building which, one of the greatest living French architects has said, "combines nobility of purpose, beauty of architecture, and usefulness of purpose more than any other public building in the world." Let it be borne in mind that in that building is a vigorous, going concern; an international bureau of information, with a large staff of experts in commerce and other international rela-

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tions; that it has an accessible library of 40,000 volumes of up-to-date Pan-Americana, made useful by 150,000 indexed information cards; that the Pan-American Union has a collection of 25,000 photographs and 2,000 maps and atlases, and, upon the tables of its reading room, the leading newspapers and reviews of the Latin-American republics. Let it be remembered that it publishes a monthly bulletin in English, Spanish, Portuguese, and French telling of the progress of all the American republics, and that it issues from time to time descriptive pamphlets and reports covering each of the countries. If these observations arouse the skepticism of any person let him ascertain the actual facts by visiting the Pan-American Building in Washington.

CROWNING FEATURE OF THE PAN-AMERICAN UNION

But perhaps the crowning feature of the Pan-American Union is its Governing Board, or Council of Nations, which meets regularly on the first Wednesday of every month to consider questions and matters involving the welfare of the constituent governments. The Pan-American Building is, through its board or council, the home of a natural, working League of Nations, represented by the Secretary of State of the United States and the Ambassadors and Ministers of the Latin-American countries in Washington. During the last twelve years in which it has been the privilege of the writer to serve as the executive officer of the Pan-American Union, there have been, as a result of the influence of this Pan-American Council, no wars between any two American Republics, while its moral power has undoubtedly been effective in preventing several wars.

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When Mr. Balfour and General Joffre were received in the Pan-American Building by the Secretary of State, and viewed the Governing Board room, with its noble oval council table, surrounded by chairs carrying the names and coats of arms of the American Republics, and then looked at photographs showing this council in actual session, they could not fail to agree with the impression that if there had existed before the war in London or Berlin, Paris or Vienna, a Pan-European — that is, an All-European — Council similar to this Pan-American Council, the world war might have been averted.

A new Pan-America and a new Pan-Americanism, now actively growing out of the past work of the Pan-American Union and fostered by the European war, must appeal to the governments and peoples of both North and South America and cause them to so strengthen this union in the future that the Western Hemisphere shall become and remain forever a united force for the preservation of peace and for the advancement of the highest principles of democracy, civilization, and Christianity.

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CHAPTER X

BRIDGING THE GULF BETWEEN CAPITAL AND LABOR

I

The Four Partners in Industry

By JOHN D. ROCKEFELLER, Jr.

We stand at the threshold of the period of reconstruction, and as we turn from the problems of war to the problems of peace we may look for such success in solving the latter as has been attained in dealing with the former only as we are animated by the same spirit of coöperation and brotherhood. The hope of the future lies in the perpetuation of that spirit and its application to the grave problems which confront us nationally as well as internationally.

Among these problems none is more important or more pressing, from the fact that it touches almost every department of life, than that of industry.

What is the purpose of industry? Shall we cling to the old conception of industry as primarily an institution of private interest, whereby certain favored individuals are enabled to accumulate wealth, irrespective of the well-being, health, and happiness of those engaged in its production? Or shall we adopt the modern viewpoint, which regards industry as in the nature of social service, as well as a revenue-producing process for capital and labor?

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JOHN D. ROCKEFELLER, JR.

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Is it not true that any industry, to be successful, must insure to labor adequately remunerative employment under proper working conditions; must render useful service to the community and earn a fair return on the money invested; and also that a prime consideration in the carrying on of industry should be the well-being of the men and women engaged in it?

The soundest industrial policy is that which has constantly in mind the welfare of the employees as well as the making of profits, and which, when necessity arises, subordinates profits to welfare.

It must be borne in mind, however, that industry cannot be successful unless not only the community and the worker are adequately served, but those whose money is invested reap a just return.

PARTNERSHIP DEFINED

Who are the parties to industry? They are four in number — Capital, Management, Labor, and the Community. Capital is represented by the stockholders and is usually regarded as embracing Management. Management is, however, an entirely separate and distinct party to industry; it consists of the executive officers, who are the administrators of the industry, and who bring to it technical skill and managerial experience. Labor is represented by the employees, but its contribution, unlike that of capital, is not detachable from the one who makes it, for it is his physical effort, his strength, his life. Here the list usually ends, for the fourth party, namely, the community, whose interest is vital and in the last analysis controlling, is too often ignored.

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The community's right to representation in the control of industry and in the shaping of industrial policies is similar to that of labor. But for the community's contribution, in the maintenance of law and order, of agencies of transportation and communication, of systems of money and credit and of other services, all involving continuous outlays, the operation of capital, management, and labor would be enormously hampered, if not rendered well-nigh impossible.

Furthermore, the community is the consumer of the product of industry, and the money which it pays for the product provides the wages, salaries, and profits that are distributed among the other parties.

What are the relations between these four parties in industry? It is frequently maintained that they are hostile. I am convinced that the opposite is the case, that they are not those of enemies, but of partners, and that the four parties have a common interest. Furthermore, success cannot be brought about by any one of the parties assuming a position of dominance and arbitrary control, but is dependent rather upon the coöperation of all four. Partnership, not enmity, is the watchword. While the relationship thus described is undoubtedly the ideal one, we may well ask to what extent is this ideal realized in the average industry. Regretfully we must answer, not often.

THE WIDENING GULF

A gulf has grown up between capital and labor, which is ever widening. These two forces have come to work against each other, each alone seeking to promote its own selfish ends. Thus have come about the various

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incidents of industrial warfare so regrettably common.

Industry has become highly specialized. The workman of to-day devotes his energies as a rule to the countless repetition of a single act or process, which is only one of perhaps a hundred operations necessary to transform the raw material into the finished product. Very naturally the worker loses sight of the significance of the part which he plays in industry and feels himself but one of many cogs in a wheel.

All the more is it necessary that he should have contact with those who are likewise related to the industry, so that he may still realize that he is a part and a necessary, though inconspicuous, part of a great enterprise.

Thus only can common purpose be kept alive, individual interests safeguarded.

The question which confronts the student of industrial problems is how to reëstablish personal relation and coöperation in spite of the changed conditions. The answer is absolutely clear and unmistakable: Through adequate representation of the four parties thereto in the councils of industry.

As regards the organization of labor, it is just as proper and advantageous for labor to associate itself into organized groups for the advancement of its legitimate interests as for capital to combine for the same objects. Such associations of labor manifest themselves in collective bargaining, in an effort to secure better working and living conditions, in providing machinery whereby grievances may easily and without prejudice to the individual be taken up with the management. Sometimes they provide benefit features, or seek to increase wages, but whatever their specific purpose, so long

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as it is to promote the well-being of the employees, having always due regard for the just interest of the employer and the public, leaving every worker free to associate himself with such groups or to work independently as he may choose, they are to be encouraged.

ORGANIZATION AND ITS EFFECTS

But organization has its danger. Organized capital sometimes conducts itself contrary to law and in disregard of the interests both of labor and the public. Such organizations cannot be too strongly condemned or too vigorously dealt with. Although they are the exception, such publicity is generally given to their unsocial acts that all organizations of capital, however rightly managed or broadly beneficent, are thereby brought under suspicion.

Likewise it sometimes happens that organizations of labor are conducted without just regard for the rights of the employer or the public. Such organizations bring discredit and suspicion upon other organizations which are legitimate and useful, just as is the case with improper organizations of capital, and they should be similarly dealt with.

We should not, however, allow the occasional failure in the working of the principle of the organization of labor to prejudice us against the principle itself, for the principle is fundamentally sound. Since the United States went into the war the representation of both labor and capital in common councils has been brought about through the War Labor Board, composed equally of men from the ranks of labor and the ranks of capital. Whenever questions of dispute have arisen in various

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industries, the War Labor Board has stepped in and made its findings and recommendations, which have been adopted by both labor and capital in practically every instance. In this way more continuous operation has been made possible and the resort to the strike and lockout has been less frequent.

ENGLAND'S EFFORTS TO COÖRDINATE CAPITAL AND LABOR

In England there were made during 1917 three important government investigations and reports looking toward a more complete program of representation and coöperation on the part of labor and capital. The first is commonly known as the Whitley Report, made by the Reconstruction Committee, now the Ministry of Reconstruction. To a single outstanding feature this plan owes its distinction. It applies to the whole of industry the principle of representative government.

In brief, its recommendations are that there be formed industrial councils, national, district, and works, labor and capital to be equally represented in each, with an impartial or neutral presiding officer. National councils would be composed of the national trades unions on the one hand and national employers' associations on the other. District councils would include district trades unions and employers' associations. In the works councils or committees, employers and employees would sit together and would be in close coöperation with district and national councils. The function of the works committees is to establish better relations between employers and employed by granting to the latter a greater share in the consideration of matters with which they are concerned.

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These recommendations are of additional interest and value in that at once the existing forms of organization, both of labor and capital, are availed of and made the basis for the new coöperative councils, with such additions only as may be necessary. The Whitley plan seeks to unite the organizations of labor and capital by a bond of common interest in a common venture; it changes at a single stroke the attitude of these powerful aggregations of class interest from one of militancy to one of social service; it establishes a new relation in industry.

Another investigation and report was made by a Commission on Industrial Unrest appointed by the Prime Minister, which made these interesting recommendations:

1. That the principle of the Whitley report as regards industrial councils be adopted.

2. That each trade should have a constitution.

3. That labor should take part in the affairs of industry as partners rather than as employees in the narrow sense of the term.

4. That closer contact should be set up between employers and employed.

The third report, prepared by the Ministry of Labor, on the question of the constitution and working of the works committee in a number of industries, is a valuable treatise on the objects, functions and methods of procedure which have been tried in actual practice.

These reports, together with a report on reconstruction, made by a sub-committee of the British Labor party, outlining its reconstruction program, a most comprehensive and thoughtful document, indicates

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the extent and variety of the study which has been given to the great problem of industrial reconstruction in England. All point toward the need of more adequate representation of labor in the conduct of industry and the importance of closer relations between labor and capital.

REPRESENTATION PLANS IN BIG AMERICAN INDUSTRIES

A simpler plan than those to which reference has been made, less comprehensive and complete, building from the bottom up, has been in operation for varying periods of time in a number of industries in this country, notably the Standard Oil Company of New Jersey, the Colorado Fuel and Iron Company, the Consolidation Coal Company, some of the works of the General Electric Company, and others, and is worthy of serious consideration in this connection.

Beginning with the election of representatives in a single plant, it is capable of indefinite development to meet the complex needs of any industry and a wide extension to include all industries. Equally applicable in industries where union or non-union labor, or both, are employed, it seeks to provide full and fair representation of labor, capital, and management, taking cognizance also of the community, to which representation could easily be accorded, and has thus far developed a spirit of coöperation and good will which commends it to both employer and employee. The outstanding features of the plan are briefly:

Representatives chosen by the employees in proportion to their number from their fellow workers in each plant form the basis of the plan. Joint committees,

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composed of an equal number of employees or their representatives and an equal number of officers of the company, are found in each plant or district. These committees deal with questions of coöperation and conciliation, safety and accident, sanitation, health and housing, recreation, and education. Joint conferences of representatives and officers of the company are held in the various districts several times each year, and there is also an annual joint conference, at which reports from all districts are considered.

Another important feature of the plan is an officer known as the President's Industrial Representative, whose duty is to visit currently all the plants and confer with the representatives, as well as to be available always for conference at the request of the representatives. Thus the employees, through their representatives chosen from among themselves, are in constant touch and conference with the owners through their representatives and the officers in regard to matters of common interest.

The employees' right of appeal is the third feature. Any employee with a grievance, real or imaginary, may go with it at once to his representatives, who frequently find there is no real ground for grievance and are able to so convince the employee. But if a real grievance exists or dissatisfaction on the part of the employee continues, the matter is carried to the local boss, foreman or superintendent, where, in the majority of cases, questions are satisfactorily settled.

Further appeal is open to the aggrieved employee to the higher officers and to the president, and if satisfaction is not had there, the court of last appeal may

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be the Industrial Commission of the State, where such a commission exists; the State Labor Board, or a committee of arbitration.

RESULTS OBTAINED BY THE EMPLOYEES' BILL OF RIGHTS

A further feature is the employees' bill of rights. This covers such matters as the right to caution and suspension before discharge, except for such serious offenses as are posted at the works, the right to hold meetings at appropriate places outside of working hours, the right without discrimination to membership or non-membership in any society, fraternity, or union, and the right of appeal to which reference has just been made.

Where some such plan as this has been in operation for a considerable time, some of the results were:

First — Uninterrupted operation of the plants and increased output.

Second — Improved working and living conditions.

Third — Frequent and close contact between employees and officers.

Fourth — The elimination of grievances as disturbing factors.

Fifth — Good will developed to a high degree.

Sixth — The creation of a community spirit.

Based as it is upon principles of justice to all those interested in its operation, its success can be counted on so long as it is carried out in a spirit of sincerity and fair play. Furthermore, it is a vital factor in reëstablishing personal relations between the parties in interest and developing a genuine spirit of brotherhood among them.

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Here, then, would seem to be a method of providing representation which is just, which is effective, which is applicable to all employees whether organized or unorganized, to all employers whether in associations or not, which does not compete or interfere with organizations or associations in existence, and which, while developed in a single industrial plant as a unit, may be expanded to include all plants of the same industry, as well as all industries.

Just what part labor organizations and employers' associations can best take in such a plan, it will require time to disclose, but certain it is that some method should be worked out which will profit to the fullest extent by the experience, strength, and leadership of these groups.

Where such a system of representation has been in operation it has proved an effective means of enlisting the interest of all parties to industry, of reproducing the contacts of earlier days between employer and employee, of banishing misunderstanding, distrust, and enmity, and securing coöperation and the spirit of brotherhood. While doubtless defects will appear in this plan and other methods more successfully accomplishing the same end may be devised, at least it has proved and is proving that in unity there is strength, and that a spirit of coöperation and brotherhood in industry is not only idealistically right but practically sound and workable.

If the foregoing points which I have endeavored to make are sound, might not the four parties to industry subscribe to an industrial creed somewhat as follows:

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SUGGESTED INDUSTRIAL CREED

1. I believe that labor and capital are partners, not enemies; that their interests are common interests, not opposed, and that neither can attain the fullest measure of prosperity at the expense of the other, but only in association with the other.

2. I believe that the community is an essential party to industry, and that it should have adequate representation with the other parties.

3. I believe that the purpose of industry is quite as much to advance social well-being as material well-being and that in the pursuit of that purpose the interests of the community should be carefully considered, the well-being of the employees as respects living and working conditions should be fully guarded, management should be adequately recognized, and capital should be justly compensated, and that failure in any of these particulars means loss to all four.

4. I believe that every man is entitled to an opportunity to earn a living, to fair wages, to reasonable hours of work and proper working conditions, to a decent home, to the opportunity to play, to learn, to worship, and to love, as well as to toil, and that the responsibility rests as heavily upon industry as upon government or society, to see that these conditions and opportunities prevail.

5. I believe that efficiency and initiative, wherever found, should be encouraged and adequately rewarded, and that indolence, indifference, and restriction of production should be discountenanced.

6. I believe that the provision of adequate means

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for uncovering grievances and promptly adjusting them is of fundamental importance to the successful conduct of industry.

7. I believe that the most potent measure in bringing about industrial harmony and prosperity is adequate representation of the parties in interest; that existing forms of representation should be carefully studied and availed of in so far as they may be found to have merit and are adaptable to the peculiar conditions in the various industries.

8. I believe that the most effective structure of representation is that which is built from the bottom up, which includes all employees, and, starting with the election of representatives in each industrial plant, the formation of joint works committees, of joint district councils and annual joint conferences of all the parties in interest in a single industrial corporation, can be extended to include all plants in the same industry throughout a nation, all industries in a community, in a nation, and in the various nations.

9. I believe that the application of right principles never fails to effect right relations; that the letter killeth and the spirit maketh alive; that forms are wholly secondary while attitude and spirit are all important, and that only as the parties in industry are animated by the spirit of fair play, justice to all, and brotherhood, will any plans which they may mutually work out succeed.

10. I believe that that man renders the greatest social service who so coöperates in the organization of industry as to afford to the largest number of men the greatest opportunity for self-development and the

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enjoyment by every man of those benefits which his own work adds to the wealth of civilization.

Never was there such an opportunity as exists to-day for the industrial leader with clear vision and broad sympathy permanently to bridge the chasm that is daily gaping wider between the parties in interest, and to establish a solid foundation for industrial prosperity, social improvement, and national solidarity. Upon the heads of the leaders — it matters not to which of the four parties they belong — who refuse to reorganize their industrial households in the light of the modern spirit, will rest the responsibility for such radical and drastic measures as may later be forced upon industry if the highest interests of all are not shortly considered and dealt with in a spirit of fairness. Who, I say, dares to block the wheels of progress, and to fail to recognize and seize the present opprotunity of helping to usher in a new era of industrial peace and prosperity?

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CHAPTER XI

CAPITAL AND LABOR AFTER THE WAR

I

After-War Labor Questions — Wages and Prices

By ELBERT H. GARY

Chairman Board of Directors, United States Steel Corporation

The most colossal, destructive, and costly of all wars has terminated. Right has prevailed. The overthrow of civilization has been prevented. The principles of liberty and freedom and equal opportunity have been reëstablished. We need not permit to go unchallenged the statements made and widely published as to who won the war. So far as human effort is concerned victory was achieved by a combination of circumstances.

Necessarily we must consider of paramount importance the labor question. During the war the wage rates have been increased materially and frequently. They now are much higher than ever before, so far as I am informed. It is claimed in some respects they are out of proportion. For one, I believe we have not been paying more than was proper and just. The necessary costs of living have been growing and, unless and until they are reduced, it would seem that, on the average, the present wages are reasonable.

It is urged that on the basis of the present scale of

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wages the employers cannot afford to make reductions in the prices of their commodities and many insist they are entitled to higher rates. As we, in this country at least, are operating and living on a basis of general prices that are abnormal, we might consider the propriety of making reductions at the same time in every direction, but this would be impracticable. Therefore, if there are to be reductions, they must be gradual and considered in individual cases. We must commence at some point or place.

UNWISE TO REDUCE WAGES

Judging from the past all of us believe we should not commence to make reductions at the point of wage rates. Sacrifices must previously be made by employers. Our employees must continue to be treated liberally with respect to their compensation and general welfare. We will continue to show to them that it is our intention to consider their merits and to treat them as associates and valuable assistants in our work. We should give no cause for reasonable complaint or unfavorable criticism.

If the workmen generally are treated fairly and liberally they will stand and contend for fair treatment of the employer. I refer now to the wage-earners. But who are workmen? You and I, as well as the man who works by the day. Most of us, if not every one of us, started on the farms or in the shops or mills, for very low compensation, and we are proud of it. We are still workmen, with long hours and arduous tasks. No man wishes to remain at the bottom of any ladder. . . .

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GREAT PROSPERITY AHEAD

There should be no danger in this country of serious business depression. We are so rich and prosperous and our resources are so large that the indulgence of feelings of fear or doubt as to our financial, commercial, or industrial safety and progress would be wholly unjustified. Our prospects are bright, our opportunities for success are greater than ever before.

The next five years in this country will be the most progressive, prosperous, and successful of our history; the results will astonish even the most optimistic of to-day. We need to be conservative, thoughtful, persistent, fair-minded, and wise up to the limit of our understanding. This is peculiarly a time for constructive thought and action; for cool heads, for courage, for the exercise of a spirit of fairness; even for sacrifice when necessary.

II

Labor to Rule the World

By CHARLES M. SCHWAB

We are at the threshold of a new social era. This new order of things may work great hardship for many of us. It is going to come upon us sooner than we expect. It is social renaissance of the whole world. Some people call it Socialism, others call it Bolshevism. It means but one thing, and that is that the man who labors with his hands, who does not possess property, is the one who is going to dominate the affairs of this world, not merely Russia, Germany, and the United States, but the whole world.

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This great change is going to be a social adjustment. I repeat that it will be a great hardship to those who control property, but perhaps in the end it will work estimably to the good of us all. Therefore, it is our duty not to oppose, but to instruct, to meet, and to mingle with the view of others.

AMERICA WILL LEAD ALL

The translation from the old to the new order of things will be so gradual that we will hardly realize that it has occurred. The pendulum will swing so far that you and I may find it hard for a time, but there will be an adjustment. This great land of ours will occupy its position of leadership as long as the honesty and virility of its manhood and womanhood shall continue.

As one goes on in life accumulating wealth, the less one thinks about it. The other day I went to a bank and asked for a loan of $2,000,000. The President told me I already owed the bank $2,000,000. I told him I had forgotten all about it. However, the aristocracy of the future is not going to be the aristocracy of wealth; it is going to be the aristocracy of men who have done something for their country and for the world at large. Such men will be true aristocrats.

When that time comes, wealth will not be the standard, nor will lineage of birth, but the standard will be the man of honorable and straightforward demeanor. . . .

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WORLD TENDENCY UPWARD

Whatever the Creator has designed will come, and it will be good. Changes in social conditions do not come by men alone, but because God decrees them.

In viewing the situation, I have never for one moment felt discouraged or blue. I am just as optimistic as I have ever been about myself, my fellow-men, and this country. The tendency of the world has always been onward and upward. The future of this country will be what we think it will be. These changes are necessary, but the future will more than repay us for the sacrifices we make, not only in material things, but in spiritual things, for it is the spiritual things that make life worth living.

III

Labor's Golden Age Here

By Hon. JOSEPHUS DANIELS

Secretary of the Navy

The full consecration of men of toil in our country has been demonstrated in their doffing overalls and donning the military uniforms, in their increase in production in field and factory of everything needed for the maintenance of army, navy, and civilian population; in their robust patriotism applied in building ships in the coldest winter ever known at a speed without parallel; in the rapid production of munitions and all war material, and in their eagerness to prosecute the war by investing their earnings in Liberty bonds, and in all causes that contributed to war needs. But

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we owe more to the spirit of whole-hearted devotion to this free land and its free institutions by organized labor. . . . It is well known that of all men, peace is dearest to men who earn their bread in the sweat of their face. Before liberty was imperiled by Prussian Junkerism every labor organization was a peace society, but every one was a peace society based upon the paradox of Buck Fanshaw: "We will have peace if we have to fight for it." And they are fighting now to end war in their day and for all time.

HOW LABOR HELPED US TO FIGHT

With 3,000,000 men under arms, called from field and factory, the farmers of America in 1918 furnished 878,000,000 bushels of wheat as against an average crop of 600,000,000 bushels, enough to feed our own population and export 278,000,000 bushels to feed our allies. The increase in barley and rye has been as large in proportion. The farmers have produced 13,600,000 bales of cotton as against 11,300,000 bales last year. After exporting many thousand horses and mules to the war zone, the number at home has increased 454,000. The number of milch cows has increased 390,000, other cattle 2,000,000, sheep 1,300,000, and swine 4,000,000. These figures illustrate what labor has done on the farm with hundreds of thousands of its most vigorous men in the army and navy.

What labor has done in producing munitions, in shipbuilding, and other industrial lines is an illuminating story of American skill and untiring industry, commanding the admiration of all peoples. The average production of steel ingots and castings, which represents

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the total steel production from 1907 to 1916 inclusive, in those peace times was 27,210,181 tons. The production in the first year of the war mounted up to 45,800,000 tons. The average production of pig iron from 1907 to 1916 inclusive was 27,184,330 tons. In the first year of war it increased to 39,000,000 tons. In 1917 the total coal mined in the United States was 654,728,000 tons, as against an average of something over 500,000,000 tons for the previous ten years.

These increases in basic materials are even surpassed by the record in the construction of ships, the production of munitions, and other war material, evidencing that labor, reduced by hundreds of thousands of enlistments, has surpassed in production the high water record of all past history. This, too, in the face of the desertion of the I. W. W. leaders and certain other slackers who took advantage of higher wages to reduce the working days, failing to realize that every able-bodied man should give himself as continuously and effectively in forging weapons for the men in the army and navy as do the men in the trenches or on the deck of fighting ships.

NEW CONDITIONS FOR WAGE-EARNERS AFTER WAR

The world after peace . . . will not go back to conditions such as existed prior to our entrance into the mighty struggle. The people will take on new dignity. What labor earns will find its way into the pockets of labor. New conditions will impose new duties. Statesmanship of vision will create new opportunities for American commerce and guarantee to labor the bread it has earned. Political shibboleths that men heeded

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in 1916 are as dead as the mummies of Egypt, and public men who try to galvanize them will be interred in the catacombs that overlook Salt River.

Trade and commerce and finance will seek new and broader fields and men and nobler standards. The large returns from farm and factory will not go to the few, but will be apportioned to men of brain and brawn in proportion to the value of their contribution. There will be a more equitable division between capital and labor. But no Bolshevism, no failure to protect alike property and labor, no class domination that lends itself to injustice or wrong, can flourish on this continent. Justice presides over both the rights of man and his rights of property. There will be no place in this new world for the leadership either of timid men or those who grasp at the shadows of issues which the war has relegated to the scrap heap.

OUR FIRST IMPERATIVE DUTY

We have had but one principle since the President in the halls of Congress gave expression to the national conviction that the course of the German Empire demanded that America must make the world safe for democracy. We are enlisted with all that we have and are until the objects stated by the President shall have been achieved.

And then — and then, what? What shape will our after the war radicalism take? No man is wise enough to prophesy; but it is safe to say our first and imperative duty here in America is to make democracy safe for the world.

It would be the tragedy of tragedies if after our sacri-

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fices to make the world safe for democracy our democracy would not be of a brand to bless the world. It must be purged of all class distinction, of every vestige of privilege, of every hoary-bearded tradition that fetters justice. It must be a democracy such as Jefferson formulated and Lincoln enforced. Its standard must be equal rights to all, special privileges to none. But this generation must live in the spirit of Jefferson and Lincoln and not be bound by policies which suited their day. We will not be called upon to fight primogeniture and the union of Church and State and foreign control which Jefferson successfully opposed. Human slavery, which Lincoln ended for the good of both races and the glory of his country, no longer needs to be opposed. But let us not doubt that there will be lions in our path if we tread the hard road of duty. Profiteers in war, worse than slackers and cowards, will not be easily routed in peace.

GIANT EVILS WILL FOLLOW WAR

Invoking the spirit of patriotism, giant evils will follow this as all other wars. Eternal vigilance will still be the price of liberty. Men more careful to preserve the status quo of 1914 than to secure equal and exact justice will not be wanting. There will be as much need for courage to fight for real democracy when peace smiles as there is need now to oppose German aggression. But the spirit of hostility to absolutism will burn strong in the breasts of the millions of the young men returning victorious from the Rhine.

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IV

American Common Sense toward Capital and Labor

By JAMES SPEYER

Head of the International Banking House of Speyer & Company

It has come to be recognized that labor wages is not regulated by supply and demand. Labor is performed by men and women who, as living human beings, are entitled to considerations outside of "supply and demand" if the well-being of the nation is to be advanced. Of course, in this age of keen international competition in industry, it will be difficult for any one country to set up a higher standard of living and maintain it permanently by itself. It is, therefore, much to be desired, in the interest of all, and especially of the working people, that at the great international conference the industrial nations may reach binding agreements as to the hours of work per day or per week, as to minimum wages, as to women and child labor, etc., because it seems to me that only in this way can such a standard of living of the working people be established and maintained by any one country without its industries being beaten by those of countries with less advanced humanitarian views.

The last fifty years have seen a marvelous growth of industry and the development of mechanical devices, resulting in great material benefits to the masses of the prople. The next fifty years, I believe, will witness a great development, through legislation or otherwise, in the well-being, as regards health, safety and general living conditions, of the individual employed in industry.

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VAST ECONOMIC WASTE

It is to be regretted that during the last four years capital and labor have had to be largely employed to produce things which are of little or no economic value — in fact, to produce things and material destined to destroy human life and property. This destruction has been appalling, and it will take the combined efforts of both labor and capital, for many years, to make good what has been thus wasted.

For the present not only labor but also capital will command a higher price.

As the term "labor" is commonly used to represent millions of working men, so it should be borne in mind that the word "capital" does not really represent a thing, nor a few very wealthy men, but it means in civilized countries the savings of men and women of comparatively moderate means, which they have invested, either directly or indirectly, in industrial undertakings giving employment to millions.

Those investors, be they savings bank depositors, life insurance policyholders, owners of railroad and public utilities securities, etc., be they large or small, have during the last few years not been shown as much consideration as is necessary for the country's prosperity and development.

I think the people of our country have come to realize that there must be a change, because it is impossible for "labor" to prosper if "capital" is deprived of its fair return. The higher cost of the necessities of life, which was a good and sufficient reason for raising wages, also is a good and sufficient reason to insure to those who have been able to save and invest a higher return on their investment.

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EMPLOYMENT FOR WAR WORKERS

The problem of finding employment for men and women who were temporarily working in war industries and for the men who have been serving the country in our army and navy is now uppermost in people's minds. In this connection the improvement of railroad credit and encouragement of capital to be invested in this important industry are of prime importance. We all know that there have been periods in our country's life when every one who was willing to work found employment at good wages, when there was in fact a labor shortage. During the last four years we have developed on a large scale a new industry, viz., shipbuilding, while at the same time the usual flow of immigration has entirely stopped.

We all realize that our country comes out of the war with enhanced prestige — the great creditor nation of the world. Therefore, considering our country's natural resources and our people's energy, there is no reason why there should not be work for all, provided we follow the common sense policy to let capital, as well as labor, have a fair return.

Every American has more reason than ever before to look with confidence to the future in the belief that American common sense and fairness will prevail toward both "capital" and "labor," so that, while we have peace abroad, we also shall have peace at home.

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V

An Autocracy of Anarchy Impending

By Hon. WILLIAM B. WILSON

Secretary of Labor

There remains the acute problem of reëstablishing ourselves upon a normal post-war basis — the problem of the demobilization not alone of our army and navy, but also of our great war industries. The solution would be easy enough if every man were impressed with the personal importance of getting his own establishment going. Many men feel that it is the part of wisdom to wait until there is an abatement in the present high cost of production, until labor and material become cheaper, and that reasoning seems fairly sound.

But I am firmly convinced that there will not be more than from four to six months, at most, between the time of the signing of the armistice and the time when we shall get back into our full post-war swing of industrial activity and prosperity.

LABOR'S GREATEST EARNINGS

Labor's earnings during the war period have been greater than ever before. Much of those earnings will now be devoted to the improvement of households and to the development and improved equipment of farms as they never have been improved and equipped before, and all this is bound to create a strong, healthy domestic demand.

Looking abroad, the door is open and waiting for us to enter into the great markets of South America. Germany has had a large trade there, but she will no

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longer have a trade there. It will be diverted to other countries, and, if American business men exercise a fair degree of foresight, a reasonable share of it ought to come to us.

With those things before us, if we can only tide ourselves over the coming few months, we have before us, I feel sure, eight or ten years of unprecedented industrial activity. It would be a grave error to make any serious effort to force down rates of wages now. I fear such an attempt would be so seriously resisted as to interfere materially with that return of prosperity. I believe the whole issue is to a great extent a matter of restored and maintained confidence on the part of our people.

SEES AUTOCRACY OF ANARCHY

The autocracy of imperialism, which is dead, is not the only form of autocracy. We see in Russia the manifestations of the autocracy of anarchy, which, like that of imperialism and militarism, is the forcing of the will of a minority upon that of the majority. If we should have any long sustained period of industrial unrest, if there should be a large factor of unemployment, no man may say where it might lead, whether to a recurrence of such horrors as those of the French revolution or to the spread of the menace of Russian Bolshevism. Unless we can successfully tide over these coming few months, we are facing imminent danger that the ideals of the restless few, who are not a majority, may become as serious a peril as was the menace of military autocracy. My appeal to all the people at this critical time is: Get your business going and keep it going.

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VI

The Federal Employment Service

By HENRY BRUÈRE

Unemployment has always been a national problem, but the best that we have ever done before was to try to solve it locally. Of course that couldn't be done. What is more, it cannot be solved simply by an employment service, which was the very most we had hoped for in the past.

Now we are coming much nearer to the solution than any one could have dreamed five years ago; for the Employment Service of to-day is not a thing by itself; it is a vital part of our new industrial administration.

A NEW INDUSTRIAL ADMINISTRATION

That phrase "industrial administration" is a phrase which Americans must learn to know. Through the War Industries Board, the War Labor Board, the War Labor Policies Board, the Federal Trade Commission, the Railroad Administration, and other agencies, helpless America was enabled to help defeat the greatest military power in the world. Our old industrial system broke down, primarily, because it wasn't a system. It was a great aggregation of competitors, each bidding for patronage and each bidding for its quota of labor and supplies in the open market regardless of the national need to be served. In order to fight effectively abroad these competitors had to organize and coördinate their efforts here; and they did so under one industrial administration with amazing success.

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And this is the secret of that success. While industry was seemingly being governed by Government boards, it was not being governed either by politicians or merely by military experts. The War Industries Board, for instance, was composed of the essential war industries. It received its commission from the President; but it received its real power and effectiveness from the industries themselves. There were no arbitrary rulings. There was instead a careful ascertaining of the facts, and when the facts were known there was a general willingness to abide by them. This is a far different thing from the situation which results when the best possible intentioned commission steps in from the outside and begins to lay down rules upon which industrial groups are supposed to work.

The National War Labor Board likewise was composed of employers and employees. The results obtained could not have been obtained by the most scientific corps of experts making arbitrary rulings. The whole industrial administration was not a case of political power dictating to industry. It was a case of American industry coöperating democratically with political power for one common supreme end.

The war is over, but that coöperation is not. It has proved too useful to be abandoned. Other agencies will doubtless be instituted better adapted to the special needs of peace, but the principle of coöperation will remain.

DEMOCRACY IN OUR INDUSTRIAL LIFE NEEDED

We have come to the conclusion that there isn't going to be any radical, quick reconstruction in America.

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The tendency is toward reaction back to pre-war conditions. We have discovered, however, that there is a tremendous reserve of capacity and a tremendous deficiency in opportunity and enjoyment in the human race. There isn't the slightest justification for continuing involuntary poverty in America after the war. The only solution of this is the abolishment of misery by the introduction of democratic principles into our industrial life. In order to get adequate benevolence, even under the emotions of war, we were driven to the system of "drives" to get money for war relief. We cannot depend upon the good will of men entirely. We must promote a form of coöperation in industry, by which each one is capable of enforcing his own views regarding individual needs and in which every one has the right to speak from his own viewpoint.

There is more and more recognition of the many ways in which organizations of employers and employees can work in harmony. So far, in spite of the prediction that peace would precipitate a panic, we have been able to find jobs in the peace industries somewhat faster than the war industries have released their men. With an all-around industrial administration, a government body, but non-political and non-partisan and composed of actual representatives of all branches of industry, there seems to be no reason why final peace should bring anything short of general prosperity.

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VII

New Labor Ideas Taught by War

By FELIX FRANKFURTER

Secretary of the War Labor Board

The labor problem has for years past been taken as a phase of political life, a question that could be taken up as a party platform and settled definitely for all time. It is not that. All the questions and problems that continually come into play and demand attention in the political life of the nation are equally, if not to a greater extent, the questions and problems that come into play in the industrial life of the nation. They are growing and changing questions and problems and so need growing and changing answers and solutions. Let us take the labor problem, which I maintain is not a situation, but a current.

Almost overnight Uncle Sam became the greatest employer in the world. The change came so quickly and the demands were so great that he at once had to give a practical demonstration of his abilities. He wasn't interested in theories, he wasn't keen on airy speculation on past methods and their results, on autocratic rule or democratic rule; he was met with the demand to turn out goods. What faced him was the immediate stabilization of industry.

HOW UNCLE SAM STABILIZED INDUSTRY

He did it. In order to insure continuity of output and increasing quantity of output he had to do it. That meant that he had to lay down standards of various

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kinds. The questions of wages, hours, employment of women and children, environmental conditions, and finally the mode of dealing with the mass of workers, all of these had to be solved. The last involved the right of labor to organize, a question that had long been of paramount importance in the industrial life of the nation. All these things received thought and attention and were studied in a scientific way. I emphasize, scientific way. It was no longer a question of party bickerings, consisting of abstruse issues of right and wrong, it was a question of immediate output with as little interruption as possible. Both sides to be affected had hearings, all points advanced were considered, and no steps involving the well-being of either side were taken without the deliberate consent of both. As a result there was a dependability in output and heartiness of energy along production lines that had previously been sorely lacking. Uncle Sam proved that with the element of profit, or perhaps I should say "profiteering," withdrawn, industries could be carried on to the perfect satisfaction of all concerned.

With the war having come to a close, however, there arises the impending danger of things going back to their former state. Whether or not Uncle Sam will continue to be the great employer of labor that he has been in the past year and a half has not yet been decided. But there is no gainsaying the fact that something very worth while along the field of industry has been accomplished by him. Even should he not continue in the rôle of employer there is no reason in the world why what he has already done should not be taken up by the mass of employers of the nation. . . .

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That is more difficult than it sounds. There are many things to be considered in the work of stabilizing labor, especially when the industries are not gathered under one head as has been true during the period of war. First of all, it seems to me most important that the United States Government continue to be a clearing house for the information and settlement of industrial problems. What the Department of Agriculture does for the farmer, the Department of Labor can be made to do for the employer and employee. All the information on the labor situations throughout the world, the experiments and legislations of the more progressive countries, the steps taken by such countries as England, Australia, etc., added to the knowledge gained by our own country through the work of the National War Labor Board, should be at the disposal of those who desire to base their claims on a scientific study of the problem. As the matter now stands, the control of the field of industry is left uncovered. Problems are patched up when they are met in an unscientific hit-or-miss manner. As a result, the same problem comes to light again just as soon as the patch wears out. . . .

Industry, in order to put itself on some stable basis, must organize in a way that it has never before been organized. By this I mean that not only are the workers to organize, but the management as well, and with the workers. When the Government decided to take over the various industries under its control it was met by the snag of finding no voice to speak for an industry. There were things to be discussed, questions to be answered, situations to be cleared, but there was no organized group to take upon itself the responsibility

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of talking for the whole. They were problems of industry which only those having a knowledge of that industry could solve. It was no field for outside, dilettante interest. This lack of proper representation under the increasingly hectic conditions of labor is true to an even greater extent to-day.

Stability of labor is not a terminus, but a process, a continuity of state of mind. The management as well as the workers must be educated to meet the growing and changing questions of production and distribution of production. What's more, they must meet them together. It is not sufficient to take up a problem from one side alone. If there is a demand along the line of a certain industry the employer alone cannot meet that demand. He must associate himself with the workers in ascertaining the scope and extent of conditions that govern the factors in his industry.

OPPORTUNITY TO GROW INDUSTRIALLY

The United States to-day has an opportunity to grow industrially such as has never before been given to any nation. There is an ever-increasing demand for goods and an ever-growing market for them. We can meet that demand and fill those markets only on the one condition that there is a different spirit in industry. The hostility and resentment and enmity toward the heads of organizations must by a more scientific process of education grow into one of mutual understanding. There is no getting away from the fact that at the present time the feeling among the workers of America is bad. It is hostile to growth, and has a decided tendency toward desertion of rule and resistance of

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rule. There is a desire on their part for a transference of powers. There is justice in the desire, but the point is to determine that transference on a basis of a well-planned scientific process instead of one of force.

It all boils down to a demand on the part of the workers that they be allowed to find themselves economically. They are conscious of a desire for and a sense of fair dealing in matters which intimately affect them. There is a danger of having that sense function blindly without fully understanding the underlying conditions that govern the labor problems. In most cases there is an appreciation of things as they are outwardly, but no understanding of the inner machinery that has made them. That is a human failing. We never understand and cannot understand a situation until we are familiar with the elements that constitute it.

The answer to this existing state of affairs is, of course, the shop committees where a representation of both the workers and the management can meet on equal grounds to discuss the factors entering into the duties of both. The workers must understand the problems of industry, the state of markets, the hazards of production, the risks of competition. In the same manner the heads of industry must place themselves in the position of the worker and understand his needs and the demands made upon him. There must be an interchange of difficulties and understanding of difficulties on both sides. . . .

INDUSTRY MUST BECOME CONSTITUTIONALIZED

Industry must absolutely become constitutionalized and placed on a scientific basis before we can change

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the evils of autocratic rule and its natural component, the anarchy of strikes. The Government of the United States has made a start along this line. We have got to keep right on going in the same direction if we are to find ourselves industrially. There are no permanent laws that we can make. There are, however, experiments that we can try. What is true of our political growth must also hold true of our industrial growth. Different situations demand different treatment. We have no permanent and rock-bound answers to the questions of a national tariff, of growth of railroads, of control of natural resources. We are constantly giving these matters thought and study. Different periods demand different treatment. The same is true of our industries. England and Australia have awakened to the need of taking such a national attitude toward the labor problem. They expect to find the same phenomena in the progress of industrial freedom as they found in the progress of political freedom. They expect to follow the same course of experimentation in the industrial life of the nation that naturally has been and is a feature in the political life. It will be a matter of trying out, rejecting, or accepting, but always, always growing.

We must do the same. The thing must come from within the ranks of both factors in the controversy. That is the answer to Bolshevism in America. American industry must be organized in a way to prevent exploitation of labor. The workers will not keep silent under that. Given the proper opportunity, however, labor can be stabilized and organized in the same manner as we have stabilized and organized the political life of the country.

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VIII

A Movement of "Constructive Character"

By SAMUEL GOMPERS

In countries which have been ruled from the top downwards without any regard for the masses, we find there a convulsion occurring in blood shedding and murder. In a country which gives the opportunity for freedom — because no country can give freedom — it devolves upon the people having the opportunity to take advantage of it and to exercise freedom, and a people failing to exercise that freedom write themselves down as incompetent.

In our country we have a labor movement founded upon the historic development of the conditions and industry and commerce of our country.

Now, the American labor movement, as represented by the American Federation of Labor and our trade-unions, is this: — We believe in progress; we believe in making. We believe that all of the fruits, the results of the genius of the past ages and of to-day, do not belong to any particular class. That it belongs in truth as a fair share to every man who gives service to society and aids civilization.

It is a question of dealing with such a movement as represented by the American Federation of Labor, the American trade-union movement, or to deal with a body of irreconcilables and irresponsibles.

If we are not on the right track, then those who represent the wildest orgy of destruction and have no consideration for the rights of individuals, they will come to the front, and it is a matter of choice as dealing with

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such elements or dealing with the constructive forces of the organized labor movement of the country.

LABOR HAS ADVANCED

I am an optimist, somehow or other. I have great hopes. I have seen events which were deemed, twenty years ago, as impossible and yet they have been achieved. Now let us view what we have to meet, in order to avoid the turning on of the red light of the danger signal.

It is true that certain advantages have come to the workers by reason of the war. Now, it isn't good to give men the opportunity for freedom and then try to take it away from them. The working people of the United States have learned what freedom means. It doesn't appeal to them only on Independence Day. It appeals to them every day in the year.

The inalienable right of man to life, liberty, and the pursuit of happiness means something. The aspiration is for a better standing, a better status, something better in life. Through what instrumentality can the workers, the masses of the workers, as workers, gratify their aspiration except through their wages?

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CHAPTER XII

IMMIGRATION AND THE PROBLEM OF WOMEN IN INDUSTRY

I

Need We Fear Immigration?

By Hon. ANTHONY CAMINETTI

Commissioner General of Immigration

All prophecy right now can consist of little more than conjecture, and by the nature of conditions must be largely futile. This is particularly true of prophecies as to immigration, for we do not know what the policies of governments, including our own, will be, nor, more important still, what effect the war and its aftermath will have on the instincts and inclinations of those people who might be classed as potential immigrants to our country.

Shall our pre-war record of immigration be reëstablished or exceeded, or will, as some predict, the tide turn the other way and America become an emigrant instead of an immigrant nation? There is but one concrete, non-conjectural answer, which is, "We do not know."

No doubt the effect of the war on the migration and distribution of people will be far-reaching, but just how no one can in detail tell with any degree of precision.

One would have thought naturally that many Europeans would have endeavored to escape the actual

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fires of war by emigrating to America or other countries far from the war zone. Of course shipping and other conditions made emigration difficult. However, it would seem that the war tended to depress rather than to stimulate the instinct of migration among the peoples most vitally affected by the violence of the conflict.

Immigration to this country from Europe fell off tremendously as soon as the war began in 1914, and continued to decline more or less steadily until, during the fiscal year ending June 30, 1918, there was but little net gain in our population from that source. In fact during that year only 110,618 immigrant aliens entered the United States from all sources, while 94,585 immigrant aliens left the country during the same period. This left a net gain of less than 18,000.

The decade preceding the opening of the European war gave us annually an average immigration exceeding one million, and the net increase in population from immigration sources in the fiscal year ending June 30, 1914, was 769,276.

WHAT INFLUENCES IMMIGRATION

Speaking broadly two considerations underlie nearly all alien immigrations:

1. Social conditions.
2. Economic conditions.

The first brought about the founding and original development of our country.

The second accounted largely for the phenomenal growth in population characterizing the last fifty years of our history and upon which was builded our modern-day industrial greatness.

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Whatever changes the war will cause, it may be assumed that the migration of peoples will continue to be influenced as heretofore by social and economic conditions, barring, of course, artificial restraints or inducements.

Therefore, immigration to the United States or emigration from the United States in coming years is apt to depend substantially on the social and economic conditions existing in this and those other countries whose citizens are admissible as immigrants.

Thus the effect of the war on immigration will be to a large extent, for some years, influenced by the political and economic changes caused or produced by the war.

SOCIAL IMPROVEMENTS ABROAD DUE TO THE WAR

It is probable that the war will produce great social improvements throughout most of Europe. The many reforms projected and the promise of land distribution to the masses in many countries where hitherto it has been held by the privileged few may retard the current that has been flowing towards us for generations; and yet, with all that, the average European is likely to continue to look upon our country as the great haven of freedom. And there is no doubt in my mind that many thousands will continue to seek refuge here for the same reasons, though they may not be so potent, as inspired the bulk of our early immigration.

Nothing but pure conjecture can be ventured as to the future operation of the other chief moving force in the tide of immigration, *i.e.* economic conditions.

If European countries maintain the validity of their war obligations, taxes will in future years demand a

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tribute which few persons until lately believed any people could bear. Those burdens may be reduced somewhat through lessened expenditures on military establishments, more economical governments, and more equitable distribution of the taxes, but that they will be far beyond those of *ante-bellum* days, then considered highly oppressive, is certain.

Yet we must realize that the citizens of a number of European countries (England of course is included in this statement) bore, during the past four years, burdens far weightier than any they can expect for the future; and that those burdens were accompanied in some ways by a degree of individual prosperity among the masses exceeding any they had ever enjoyed in peace times. That such prosperity was economically false, may be true; but the fact is that, despite the tremendous tax of active war, workmen in nearly all the countries involved enjoyed better wages, and more favorable wage margins, than they had been accustomed to.

While food conditions in Europe for the present are distressing and threaten much suffering, such is only a temporary or passing factor which will be removed as peace-time production gets under way.

We must remember also that the four years of war had great adverse effect on the populations of European countries. While emigration all but ceased, millions were killed or died from disease or wounds at the front, millions were incapacitated, millions of civilians died or were broken by the strains and privations of war, and the birth rate dropped almost universally.

Then, also, it may be estimated that there is more work at hand in Europe for those who survive, or rather more

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work needing to be done, than was the case before. All the vast destruction of war calls, at least potentially, for replacement, and the deficits in the implements of peace-time commerce caused by the deflection of energies into the activities of war need to be replenished. Indeed, the outlook for the European workingman of the peasant class, barring the period of adjustment from war to peace, may be much better than it was before the war.

Despite the tremendous destruction caused by the war and the huge debts incurred by the governments involved, and the consequent possible increase in taxation, it is not extravagant to imagine a post-war Europe offering to the potential immigrant attractions superior to those he had prior to 1914.

It is also true that the experience of war intensified the love of most Europeans for their native lands and gave added potency to the feeling of Auld Lang Syne. Many thousands who otherwise would have sought new lands will now find it difficult to break the bonds of blood and suffering which the war has added to the usual ties binding them to the environment of their fathers.

LARGE IMMIGRATION OF SOLDIERY POSSIBLE

Conversely, the conditions mentioned may inspire many to seek new scenes in which to try and forget the experiences they have known and witnessed; and this may also affect the millions of soldiers, most of whom — despite the heavy casualty lists — are strong and virile, who will be released from the armies to find new life niches wherever they can. The migratory spirit

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has ever been strong among veterans of wars. And the veterans of the Allied armies are likely to feel a veneration and respect for America even exceeding that always felt by the masses in Europe. Contact with our soldiers no doubt has enhanced their visions of American liberty, freedom, and economic well-being even beyond the reports of fact and fancy which have ever made America a fairyland of promise to the peasantry of the Old World.

Of course immigrants will come.

Events only will indicate the comparative extent and duration of the movement. No doubt considerably more will come as soon as travel facilities are provided than arrived during the active war years, when as stated the net additions to our population from that source were negligible. Whether the tide will reach former proportions depends upon circumstances in this country and abroad.

Whatever may happen in the matter of volume, we may be assured that under existing laws there will be such an inspection that will cause to be debarred all those who cannot pass the prescribed tests. These will include not only all of those physically, mentally, and morally not entitled to admission, but also that still more undesirable type commonly referred to as anarchists, who come for license rather than freedom.

WILL THE UNITED STATES BECOME AN EMIGRANT NATION?

The statement recently given public attention, that the United States is in danger of becoming an emigrant nation, should not be taken seriously. No doubt many

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residents of this country of foreign nativity whose kin have suffered from the privations and horrors of war may visit the place of their birth to give comfort and aid to their loved ones; but in my opinion a large majority of them will return to the places in which they have prospered. No valid foundation has been found upon which to base the radical change predicted. Such statements have encouraged plans to bring in laborers, now prohibited by law, to fill the places of those who would become part of the emigrating classes.

Without now taking up the claim that more laborers will be needed, whether or not the prediction is verified, I desire to call attention to the fact that a supply exists in abundance in Porto Rico, the Virgin Islands, and the Philippines. What better way could be found to build up these possessions or what more suitable plan be devised to bind them to us, to obtain their confidence, to secure their trade, and aid their development, than to engage a portion of their people in our industries on the mainland? We would benefit them immensely and also avoid the reappearance of a disturbing problem that it has been our hope, from economic and other viewpoints, had been settled more than a quarter of a century ago.

II

Closing the Door to Bolshevism and Anarchy

From the Report of the Congressional Committee on Immigration and Naturalization

If the bill framed by the Committee on Immigration and Naturalization passes both the House and the Senate and is signed by the President we shall have

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no more immigration for four years. This important document is a combination of a bill introduced on December 10, 1918, by Representative Lufkin, and a bill introduced January 20, 1919, by Mr. Burnett. The committee report states:

Section 1 prohibits immigration for four years from and after the passage of the act, but exemptions are made in favor of aliens who have lawfully acquired a domicile within the United States, so that such persons may reënter this country after making visits abroad; also in favor of certain enumerated classes, the list corresponding substantially to a similar list, appearing in section three of the existing law, of exemptions from a certain provision of the excluding clauses of said section; also in favor of certain specified relatives of aliens who have heretofore lawfully entered, corresponding in most particulars to a similar exemption to the illiteracy test of the existing law, but including a nephew or niece not over fourteen years of age, if both of his or her parents are dead: also in favor of aliens fleeing from religious persecution. Those fleeing from political conditions have been deliberately omitted, for if people of that class were permitted to come in many Bolshevists and aliens of similar character would claim admission. It is provided further that skilled labor may still be imported under the conditions prescribed in the fourth proviso to the third section of the existing law, and that aliens returning after service in the United States army or the army of one of the countries with which the United States has been associated in the war, in accordance with the joint resolution approved October 19 last, shall be admitted.

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THREE VITAL REASONS

There are three especially important reasons, the report points out, for recommending the suspension of immigration generally during the next four years:

(1) There is already developing a serious situation with regard to unemployment in the United States, and in the committee's judgment this situation is likely to grow worse rather than better during the time that the industries of the country are being readjusted to peace conditions; (2) the soldiers returning from Europe for discharge and already discharged or hereafter to be discharged from the camps within the United States must be afforded opportunities — ought to be given the first chance — to obtain profitable employment, so that they may be fitted back into the industrial life of the country with fairness and justice to themselves and with benefit to the various communities involved; and (3) it has been demonstrated during the war, even more clearly than ever before, that aliens have been coming into the United States at a rate out of all proportion to the number that can be advantageously assimilated and become a real part of our body politic.

Section 19 of the bill is a slight amendment to the first part of Section 20 of the immigration act of February 5, 1917, and deals with deportation.

When that act was passed the provisions mentioned were sufficient to meet the particular situation with regard to the places to which aliens could be deported; but it is apprehended that, from this time forth, there may be objection on the part of some of the countries that have been at war with the Central Powers having

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aliens who are citizens or subjects of the latter returned to the ports of the former in connection with deportation proceedings. Hence it is thought advisable to insert in the bill this section, making it perfectly clear that the Secretary of Labor may return aliens to the country of their nationality or nativity.

Some of the countries will even encourage that class of undesirables to emigrate.

It has been urged against this legislation that there will be no emigration from the war-stricken countries for several years on account of the need of workers there. If that be true this bill can certainly do no harm. But is it true?

AN ITALIAN OPINION

Let that question be answered as to one country, at least, by a high Italian official. A few weeks ago a delegation from the Italian labor union came to this country from Italy. At the head of this delegation was Mr. Alçeste De Ambris, a member of the Italian House of Deputies. In the December number of "Italy To-day," a publication gotten out in New York by the Italian Bureau of Public Information in the United States, Mr. De Ambris is quoted as follows:

"Emigration of Italian labor after the war will be a necessity, and part of the function of the delegation is to help this emigration. Italy has an excess of 300,000 births over deaths annually, and these 300,000 must find an outlet. Industry in Italy has advanced and is making ever increased demands on labor, but the increase is not equal to the supply. Italy has an excess of labor, and it would benefit both the United States

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and Italy if this labor could be induced or would choose to come here.

"Although industry in Italy is entering a new era of aggrandizement, this development cannot yet absorb Italy's huge labor reserve. Emigration must take care of that; those who remain in Italy will have to work at good wages, and Bolshevism will go unheeded."

Mr. De Ambris was solicitous about preventing Bolshevism in Italy, but he was not worried about the Bolshevism likely to be produced here by having two men for every job here.

What is said about the surplus of labor in Italy may be said with equal force, and even greater force, as to some other countries.

Mr. La Guardia in his testimony before the committee predicted a large immigration of Greeks, Syrians, and so on. And Captain Johnson, member of Congress from South Dakota, who had a career at the front in France and had the opportunity to investigate at first hand, predicted before the committee that large numbers of the worst classes will as soon as possible make a rush for America. The report comments thus:

How soon will that be? Just as soon as the steamship companies can begin their transportation.

MANY ALIENS GOING HOME

Again, it is urged that many aliens now here will return to their countries as soon as they can secure transportation. That is no doubt true; but nearly every one of them will go back with the expectation of soon returning to this country and bringing some of their relatives with them.

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This was admitted by one of the fairest and most intelligent witnesses that appeared before our committee against this bill. There were two cogent reasons which impelled the committee to favor this legislation. One is the unsettled labor conditions that are already beginning here and that will no doubt grow worse as the soldiers from our armies are discharged and war workers are released.

Although less than one fifth of our soldiers have been discharged, we are already hearing of the surplus of labor increasing in almost every section of the country.

A few weeks ago the Division of Employment Service of the Department of Labor reported a surplus in only a few States. Each day's report adds to that surplus, until to-day a majority of the States report such surplus.

In some cities riots are occurring from unemployment, and in a few cases unemployed discharged soldiers are engaging in those riots.

The workingman is barely making a support at present wages with the high cost of living prevailing. Then, how can he be expected to submit to a reduction of wages while the cost of what he has to buy to feed and clothe his family is so high, and in many cases going higher?

UNRESTRICTED IMMIGRATION A TRAGEDY

Then will it not be a tragedy if we allow thousands of aliens to come to our shores to work for low wages and thereby secure the jobs that ought to go to the returning American soldiers and the war workers? The American Federation of Labor and the four brotherhoods of railroad workers are unanimously for this bill.

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The writer of this report has heard from some large employers of labor who favor this legislation because they fear the confusion and irritation that will result from permitting a large influx of foreigners, many of whom bring the red flag in one hand and the bomb in the other. Another reason that influenced the committee is the danger to political, moral, and material conditions in this country generally by the admission of thousands of revolutionists and Bolshevists.

It is impossible to keep out revolutionists and Bolshevists without keeping out substantially everybody.

We have by our liberal immigration laws taken many who have proved that their hearts and their sympathies were not with us, and they were ready to strike their poison fangs into the bosom that warmed them.

Now let us try for at least four years to close ranks and try to see "Who's who, in America."

III

After-War Status of Women Workers

By Miss MARY VAN KLEECK

Director of the Women in Industry Service, U. S. Department of Labor

The national importance of women's work has been clearly and officially recognized. They have demonstrated their efficiency in numerous instances. The war has shown that for both men and women effective service depends upon a high standard of conditions of labor. And the new spirit has received expression in the government's indorsement of collective bargaining.

But reaction has set in, and its forces seem to be affecting at once the status of women workers. Reso-

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lutions have been passed by at least one central labor union calling on the women who have entered industry during the war to leave their jobs now that the war is over. A trade-union local composed entirely of men has gone on strike demanding the discharge of the women employed in their occupation, and have received from the War Labor Board a favorable verdict on their case. Not a few public speakers have declared, as one expressed it, that "The women have responded with fine patriotism to the appeal to take part in industry during the war. It now becomes their duty to withdraw. It becomes our duty to persuade them to withdraw."

DANGER OF AROUSING SEX ANTAGONISM

Fear of unemployment and fear of wage competition are back of the demand that women withdraw from industry. Couched in terms of giving back their jobs to returning soldiers the demand acquired an atmosphere of the war spirit and a patriotic appeal which obscure its real import. It is hardly necessary to point out that the reinstatement of the returning soldier in his former position if he wants it is an ethical obligation which holds whether his place has been taken by a woman or by a man, and even a complete and universal recognition of this ethical obligation would not settle the problem which it is assumed to illustrate. The whole situation is fraught with danger in its possibilities of forcing the women to join together as a group to defend their right to employment against the opposition of the men in an industry. The Cleveland Street Railway Company has only one hundred and seventy women

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employed as conductors, and the demand on the part of the men's trade-union local for their discharge is only one instance, but it is a danger signal. Carried further such a problem as that would inject into the labor movement a new alignment of men workers against women workers.

The antagonism would be the more unfortunate because it has its roots in a twofold fear common to men workers and women workers, — the fear of unemployment and the fear of a cut in wage rates. That the way out is a united attack upon the causes of these fears rather than a conflict between the two groups who are their victims would seem too obvious to require proof. Success in attacking this problem depends, however, upon the extension to women of the right and responsibility for participation in action in dealing with labor problems. Without this recognition, their own economic rights may become a two-edged sword.

NEED OF AGENCIES OF ADJUSTMENT

The new spirit of the times, then, with all the dangers of new developments accentuating old difficulties for women in industry demands an enlargement of the bounds of activity and a comprehensive program. First there is needed a new formulation of standards already demonstrated to be attainable and desirable; and, second, the situation demands a clarifying view of the administrative agencies necessary for the attainment of standards, including agencies of government, management in industry, and the organization of workers.

The fear of unemployment must be lessened by the further growth and the strengthening of the national

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system of labor exchanges, efficient enough and comprehensive enough to reduce unemployment to a minimum and to afford a basis for analyzing the causes of the minimum which is left when so many as possible of the workers have been placed in the vacant jobs.

The fear of a cut in wages must be met by a wide extension of agencies of adjustment, and these can be successful only in so far as they derive their strength from real collective bargaining extending over a wide enough area of industry to be truly representative of the collective will of management and workers. It is the absence of these agencies of adjustment which makes the present situation so strained, each side awaiting anxiously for the first test of strength on the maintenance of wages paid during the war or their reduction to pre-war rates or lower.

Labor legislation must meet the test of the new spirit while it busies itself with specific gains very necessary for workers in industry. The fear which the American labor movement frequently expresses of political action as opposed to voluntary economic action would seem to indicate either a reluctance on the part of labor to use its own political powers, or a lack of flexibility or responsiveness to local and concrete needs on the part of governmental agencies for administration of labor laws. It is not difficult to prophesy that the problem of labor legislation just ahead is not the formulation of concrete aims, but the development of a new spirit and method in administration. Nor is administration of labor laws a distinct and separate problem. It is rather part of a task of government in all its units, municipal, county, State, and national.

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Two aims for labor legislation for women workers may be emphasized as of immediate importance. They are the enactment into law of the eight-hour day, and the fuller representation of women in important positions in administration of labor laws. The first has the sanction of experience, but an examination of state labor laws shows how far the majority of States fall below such a standard. The second will create outposts of observation necessary in the new relations of women in industry.

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CHAPTER XIII

BOLSHEVISM — WHAT IT IS

VICE PRESIDENT THOMAS RILEY MARSHALL, in his denunciation of Bolshevism and anarchy, propounded what he termed a new "creed" for Americans, as follows:

I

THE UNITED STATES NO ANARCHIST CAFÉ

BY VICE PRESIDENT MARSHALL

I believe that the American Republic as instituted by the fathers constitutes the finest system of government ever ordained among men, and affords the machinery for the righting of grievances without resort to violence, tumult and disorder.

I believe that every inequality which exists in the social and economic condition of the American people is traceable to the successful demands of interested classes for class legislation, and I believe, therefore, that practical equality can be obtained under our form of government by remedial legislation in the interest of the American people, and not in the interest of any body thereof, large or small.

I believe there is no justification in a government, where officials are elected and laws made by the people, for a minority to threaten bloodshed and anarchy unless the majority shall submit to the will of the minority.

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I believe that America belongs to American citizens, native and naturalized, who are willing to seek redress for their grievances in orderly and constitutional ways, and I believe that all others should be taught, peacefully if we can, and forcibly if we must, that our country is not an international boarding house nor an anarchist café.

I pledge myself to the support of these principles by my voice, my vote, and, if need be, by my fortune and my life, and I promise my country to train my children in this most holy faith.

II

The Red Flag of Bolshevism

By SENATOR JAMES A. REED

Revolution is always dangerous. From autocracy to anarchy — such is the swing of the pendulum. No race ever tamely submitted to physical slavery unless it had also been placed in intellectual bondage. An oppressed people is likely to regard any law as an instrument of tyranny. Accordingly, they arrive at the conclusion that all law must be destroyed in order that liberty may be attained. It follows that an ignorant and oppressed people in the first stages of revolutionary fervor usually substitute the power of the mob for the tyranny of the autocrat; whereupon, there ensues a period of bloody terrorism out of which emerges a new despotism. This is but an epitome of the world's history.

The American Colonists rebelled because of a tax in itself inconsequential. They asserted their rights as

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Englishmen. They refused to permit any impairment of their just privileges. Such a people, believing in constitutions, appreciating liberty, knowing that freedom is the blossom and fruit of the law, were capable of establishing a stable government. It was to be a government of law created by a free people for their own control. To this law they gave a willing obedience. They recognized the fact that without law no right can be secure, and that where rights are not secure there is no liberty.

STARVATION AND ANARCHY STALKING ACROSS EUROPE

The Fathers of the Republic occupied a position of rare advantage. They had inherited their liberties. A long line of ancestors, stubbornly resisting oppression, had wrung from the Kings of England the Magna Charta and established the principles of common law. They had, therefore, become schooled in the science of government. They understood the fundamental structure of a free state. In all the history of the world there never was gathered in one assembly a body of men so skilled in knowledge of history, of statecraft, and of government, as the Continental Congress. Their greatness and understanding were typical of those they represented.

These observations may serve some purpose in considering events now crowding upon the world's stage. The carnage of war has scarce ceased. Through the smoke that is just lifting there can be seen two sinister figures — starvation and anarchy — stalking across the battle fields of Europe. The erstwhile soldiers of autocracy now march beneath the red flag. Kings are being

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tumbled from their thrones. Mobs riot in a dozen capitals. Anarchy prevails.

Some of these conditions— natural concomitants of war — are not surprising. They come in the natural course of things, and under ordinary conditions would give way to some form of organized government which might or might not bring to the common people a greater measure of liberty.

The astonishing, the sinister, fact exposed by the European conflict is that the doctrines of anarchy have taken root in every country of the world. For years they have been secretly taught. The evil seed has fallen upon the fruitful soil of ignorance and criminality. The extent of this propaganda and its marvelous secrecy are difficult of comprehension. With an almost diabolic skill it played upon the prejudices, hopes, and fears of vast numbers of people. To the unlettered Russian peasant, whose back had long bled beneath the lash, it promised freedom from the blows of oppressors; freedom from all the restrictions of law. It held before his dazzled vision promise of wealth without labor.

It was therefore not surprising that a people long oppressed could, by rapid processes, be led to the overthrow of their rulers, then to their murder, then to the betrayal of confederates and friends, and finally to a state of anarchy in which the cruelty of the mob has surpassed the tyranny of the Romanoffs.

ANARCHISTIC DOCTRINES THAT THREATEN AMERICA DEFINED

It further appears that this doctrine has its adherents in every part of Germany and Austria; that its rami-

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fications extend into all European countries; and that there is even in our own land an astonishing number of men who, existing under the guise of various organizations, accept in the main doctrines that are entirely or partially anarchistic.

The I. W. W.'s deny the force of all law and have plotted the destruction of property in nearly every Western state. This organization assumes a more serious and mischievous aspect when we consider it in connection with its kindred organizations in other countries.

It is not too much to say that a world conspiracy, looking to the overthrow of all governments, has been in process of formation for many years. To disregard these plain facts is not the part of wisdom. The magnitude of the movement can only be appreciated when we consider that many organizations and societies go far enough to advocate doctrines which tend to the destruction of law, yet do not boldly announce that as their ultimate end. Indeed, some of them are undoubtedly ignorant of the inevitable logic of their teachings. It may be useful to review a few of these dangerous doctrines.

It is asserted by some that the title to all property should be vested in the state. This is only a polite method of stating that the property of citizens should be confiscated.

It is claimed by others that the citizen should perform such duties as are prescribed by state. This in its last analysis makes of every citizen a slave, for each man is thereby obliged to do that which he is ordered to do by some other man.

It is argued by those of a milder persuasion that the

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government should control and regulate all important properties in the land. (I do not here speak of public utilities, which lie in a class by themselves.) But this doctrine, if ever established, will finally lead to public control and ownership of all property, *i.e.*, the abolition of all property rights.

The advocates of these theories apparently do not understand that the establishment of any one of them destroys the very thing we call liberty, for liberty consists in the right to life, in the right to choose one's vocation, and in the right to toil and to keep that which has been produced. In a word, to move freely about the world; to possess and enjoy property.

AMERICAN DEMAGOGUES WHO ASSIST BOLSHEVISM

There is another class of "assistant Bolsheviki" which deserves special attention. I refer to those numerous and noisy agitators who for years have gone about undermining the respect and reverence of our people for law and for the institutions of government.

At the very head of this list I class those who in recent years have indiscriminately denounced the courts of our land. Reference is not here made to men who have properly pointed out abuses by individual courts or judges. I am speaking of that agitation for years carried on by aspiring demagogues, which among other heresies proposed a referendum vote upon the judgments of courts. That is to say, they declared that for the law of the land, construed by a court, should be substituted the opinion of a majority unregulated by any rule and responding only to the impulse of the hour. The Bolsheviki have not gone further than to suggest that

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the country shall be ruled by the opinion of the mob, unguided by law and unchecked by constitution. At this point they touch hands with certain American publicists and politicians of great repute.

A part of the propaganda referred to found expression in denunciations of the precedents of courts. The advocates of this "reform" forget that the rule of precedent is only the rule of law, and that if precedents be ignored there will be substituted for them the opinion of the individual who happens at the moment to be acting as judge. Thus instead of a government of law we would have a government by petty tyrants known as judges, who would rule in accordance with their own will, and that is the very essence of despotism. In a word, we would have no law. The advocates of the insidious doctrine I am discussing are but a step removed from the Bolsheviki of Russia. And yet, they found so many followers in this country that they were able to write their principles into the platform of a great political party.

Recently these reformers have taken up the advocacy of another doctrine almost equally destructive. They insist that no court should ever be permitted to declare an act of a State Legislature, or an act of Congress, unconstitutional. They fail to comprehend that the establishment of such a doctrine works the annihilation of the federal and of all state constitutions. This results because if a State Legislature, or the Congress, can pass a law in defiance of the Constitution, and no court is permitted to declare the supremacy of the Constitution over the statute, the statute becomes the law of the land. Thus the Constitution is wiped out.

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THE ATTEMPT TO DESTROY STATES' RIGHTS

The Constitution of the United States might therefore be abrogated at any session of Congress, by the simple process of passing statutes in its teeth. Likewise, the Constitutions of the respective States could be similarly repealed or abrogated at any session of a State Legislature.

If this rule were to be adopted any State Legislature could pass a law denying the right to trial by jury. Thereupon a citizen might be haled before any judge, denied the right to a jury of his peers, and sentenced to execution. An appeal to the Constitution of the United States would be answered by the statement that "no court is possessed of the right to declare an act of the Legislature, or the proceeding thereunder, unconstitutional."

This vicious doctrine, utterly destructive of the Constitution, has been advocated in high places. Its protagonists manifestly fail to see that they propose the destruction of the Charter of the people's liberty. They evidently do not understand that when the people formed the Federal Government, and the governments of the respective States, they, the people, reserved to themselves certain rights which were deemed essential to their liberties, and that they declared these rights should never be taken away without their express consent, manifested in the manner and form provided for in the charters of their liberties. They fail to see that the proposition to make legislative and congressional acts superior to the Constitution places it in the power of the Legislature and the Congress to destroy all the

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Constitutional rights thus solemnly reserved by the people themselves. Stated differently these reformers close their eyes to the fact that the doctrine they propose strikes at the basis of Constitutional liberty; that it makes legislative bodies supreme and empowers them to act without limitation of any kind. It places within a legislative majority the power to abolish the very form of our government, and to substitute an autocracy for our democracy.

When such doctrines as these are preached from exalted places, it is not to be marveled at that the oppressed of other lands may, in blundering through the twilight of their ignorance, follow the lurid glare of the red flag, or, weltering in bloody reprisals and revenges, imagine they enjoy the blessings of liberty.

THE CONSTITUTION AND THE COURTS, THE PEOPLE'S SAFEGUARD OF LIBERTY

At this tragic period of the world's history the business of all friends of liberty is to hold fast to the Constitution, to uphold the dignity of our courts, and to teach a fact too seldom dwelt upon — that constitutions are the charters of the people's liberties, to which they should cling as did the ancient refugee to the horns of the altar. We should remember that courts, although sometimes imperfect, are the only citadels within which the individual can find a refuge from private wrong or official oppression.

At a time like this we should be slow in changing any of the old principles of our government, however imperfect they may seem to some. Let it not be forgotten that they have withstood the storms of adversity and

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vicissitudes of fortune for 142 years. Let us abide in the faith that those rules of law and forms of government under which we have grown to be the most puissant nation on earth may be with safety tolerated yet a little while longer. It is our high duty just now to furnish to the world evidence of the stability of our institutions. Cannot the impatience of those who desire radical experiment abide the day when the world shall have settled back into a condition of sanity, when Europe's reconstruction may have been accomplished, and when our people in the calm after light of contemplation may review the earth's tragedy and by its lessons and our own experience judge what should be our future course?

III

What is Bolshevism in America?

By LEWIS ALLEN BROWNE

Bolshevism in America is an excrescence of the political melting pot — the social refuse, or slag, that will not fuse — the impure or foreign substance in our population that would otherwise Americanize.

It came from over the seas with other of our national organic ills; it is making a supreme effort to fasten itself upon our body politic, and is, when summed up, no more or less than a vicious enemy within, attacking our democracy by acts of violence and irrational propaganda.

The word "Bolsheviki" originated in Russia. It means, "They who want the most." The followers really aimed to destroy the state and divide the

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spoils. As an American, long resident in Russia, expressed it, "The Bolsheviki are the 'gun-men' of Petrograd."

Almost instantly, after the Russian Bolsheviki wrought chaos, the word was taken up over here, first by certain of the I. W. W., who believed that in it they had character behind which they could hide while seeking to achieve what seems to be an identical aim — the destruction of government and the division of the spoils.

So far as the most careful investigation can reveal there are no organizations, societies, or groups included in what is known as the "American Bolsheviki" that stand for patriotism, as we define the word. American Bolshevism is the "ism" found in the tenets of the I. W. W., People's Council, Anti-Conscription League, League of Labor and Political Prisoners, anarchists, radical Socialists, German-hired pacifists, and others of the league of irrational objectors.

IDENTICAL WITH THE I. W. W.'S IN THE WEST

The movement is stronger in the West than in the East. The West is having more trouble with it. But Bolshevism in America, being so closely allied to the I. W. W. that if you prick one the other bleeds, and the I. W. W. being stronger and more destructive and more troublesome in the West, this is only natural.

American Bolshevism should not be mentioned in the same breath with our Organized Labor. Our recognized organized labor leaders will have nothing to do with it. From Samuel Gompers, president of the American Federation of Labor, down, they denounce it.

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PATTERNED AFTER THE RUSSIAN BOLSHEVISM

The Bolsheviki in Russia demand that the people should immediately take possession of banks, industries, and other great aggregations of capital; that they divide the capital and work no more. Of course, the crops would grow and harvest themselves, the mines would pour forth refined metals, the industries would turn out finished products — all without human effort, while Lenine and his Bolsheviki sat back in ease and idleness, doing nothing except spend the money they had looted and divided.

Not long ago I heard a socialist who carried an I. W. W. membership card, addressing a group, say: "We must strike for a six-hour laboring day, then a four-hour day, then a two-hour day, with increased wages all the time, and then we will be strong enough to take everything and work no more."

That's Bolshevism, whether it is located in Petrograd or New York, Moscow or Chicago.

One sign of our awakening to this danger came from Chicago, where R. Goodwin Rhett, President of the Chamber of Commerce of the United States, warned the business men against this danger, saying:

"American Bolshevism is a menace to us equal to German militarism. The American Bolsheviki would turn us over to mob tyranny more cruel and destructive than ever before known."

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IV

Growing Menace of the I. W. W.

By LYNN FORD

The I. W. W. from its inception has been a lawless organization, an organization that is a law unto itself.

"An injury to one is an injury to all" is the I. W. W. motto. In the record of the organization there is no evidence that any member was ever expelled for the commission of crime, although hundreds have been convicted on charges varying from vagrancy to murder. Defense funds are continually being raised for the support of members charged with offenses against the criminal statutes. This attitude results in the recruiting of many members who find it advantageous to have the support of an organization that does not desert them when they come in conflict with the law.

Members are taught to regard as martyrs all of their number convicted of crime. They have endeavored to canonize members who have been executed for murder or who have fallen in open conflict with the authorities.

While the I. W. W. has operated from time to time in the East, as at Lawrence and Paterson during the strikes of the textile workers, it is west of the Mississippi that it is best known. British Columbia and Mexico have also offered a fertile field.

One of the largest and most influential branches of the I. W. W. has been the Agricultural Workers Industrial Union. Its membership is enrolled from migratory laborers in the harvest fields of the West. The character

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of the recruits in this division is typical of that in other branches.

Palliative measures will not be effective in disposing of I. W. W.-ism. The root lies too deep. Social "remedies" for the unrest which makes men prey to radical agitation may be reserved for discussion by those who deal in cure-alls. Certain it is that if the drifting laborer is to be estranged from these radical teachings we must secure some more comprehensive and rational handling of the migratory labor problem. To permit this to go on in the haphazard fashion which has characterized it in the past is to insure the future of the I. W. W.

BOLSHEVISM AND I. W. W.-ISM IDENTICAL

The continuation of I. W. W.-ism among the foreign population of the United States has become in the light of recent events a subject of international aspect. Officers of the I. W. W. and foreign correspondents have stated that former members of the organization are high in the councils of the present Russian régime.

Let there be no misunderstanding of the fact that the worst of Bolshevism and I. W. W.-ism are identical. It will be largely to the foreigner speaking an alien tongue that the appeal will be made. We have been remiss in devising effective means and urging the education of the aliens among us. The need has been made plain in many ways but in none having a more vital bearing upon our security than the readiness with which this element of our population embraces the teaching of the I. W. W.

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V

Bolshevism "Autocracy's Twin Brother"

By CHARLES EDWARD RUSSELL

Bolshevism is not a disease of the brain that is confined to the latitude of Russia, but a product of certain conditions. Bolshevism is a protest against what men consider a great, organized, and intolerable wrong. . . .

The Bolshevist movement in Europe and the I. W. W. in the United States are only outbursts from the same fundamental feeling of injustice that elsewhere has driven men to form labor organizations for their defense, and again to launch great coöperative movements. Some of these manifestations are good for society and some are bad, but whether good or bad they all come from the same general source — the unfairness of the present system by which a few men get a great deal of the wealth labor creates and the masses of men get little.

Bolshevism is the most violent phase of this protest, and the most dangerous. . . .

DOOMED TO EXTINCTION

The trouble about Bolshevism is, first, that it does not work; it is not a workable scheme of government competent to meet the needs of mankind; and second, it provides no mandate for government except the will of one class of the community, to the exclusion of all others. It has, therefore, no basis in democracy, is open to all of the fatal flaws of the autocracy of which it is the twin

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brother, and is just as much doomed to eventual extinction as was the Czar's autocracy which it supplanted.

There seems to be a certain order of mind to which Bolshevism is naturally attractive, but the gentlemen who talk glibly about it would be very much distressed if they were compelled to live in a Bolshevist state.

VI

The Disease of Bolshevism

By the MARQUIS OKUMA

Japanese Premier

The disease of Bolshevism is a product of special environment and special circumstances. Bolshevism in Russia was caused by the excesses of the former Russian government. Bolshevism seems to contain a part of the doctrines of Karl Marx. Now consider how Marxism is operating even in Germany, the home of Marx. The social democrats there modified Marxism to a great extent. When we examine the program of the social democrats, we find that it is nothing else than simple democracy, without extremism. Circumstances alter and modify theories, and actualities mitigate doctrines, even in Germany. All these extreme theories in the United States and in England and France are greatly modified. But in Russia the former government was bad beyond belief. Thus extreme reaction gave birth to extreme Bolshevism. . . .

NO FIELD FOR EXTREMISTS IN JAPAN

It is possible that new forces may find a response among various nations, but these theories will be modified

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under healthy conditions — in England or the United States, for instance — for Bolshevism cannot thrive in these countries, for the very simple reason that there are no grounds to justify such extreme ideas. It is true that the distribution of wealth is not perfect anywhere and a period of reconstruction must come, but it will not be accompanied by extremism.

We have no reason to fear the spread of this disease in Japan. Moderate socialism may meet with some success here, but there is no room for extremism in Japan. After the war there will be a tendency in every country for more democracy and for a more just distribution of wealth, but Japan has little to fear in Bolshevism, for, though our country is a monarchy, the fundamental principle of our government is democracy. It has been so for many years. Our government is concerned with the general welfare of the people. Ours is indeed a government for the people. We have a real democracy without using the term democracy. It is the very keynote of our government. Therefore there is no place in Japan for such extremism as wrecked Russia.

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CHAPTER XIV

OUR MERCHANT MARINE

I

THE NEW SHIPPING ERA — OIL THE COMING FUEL

BY HON. EDWARD N. HURLEY

Chairman United States Shipping Board

THERE is much uncertainty as to how theoretical solutions of certain problems will work out after the war. But there is no uncertainty as to the shipbuilding industry. It is going to be a permanent institution. The United States, Great Britain, and other nations will have all they can do for years to provide the necessary world ship tonnage. Some industries that came in with the war will go out with the war. But not so the shipbuilding industry. It is here, and is here not only to stay but to grow.

All the probabilities point to the conclusion that within five years we shall have a force of one million men in connection with the American merchant marine. This force will include shipyards workers, men and women in factories making ship equipment, officers and seamen manning our fleets, and numerous groups engaged in export trade.

Our export trade has already grown by great bounds. In the four fiscal years preceding the war the total foreign trade of the United States was $15,972,000,000. In the four fiscal years since the war it has increased to

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$29,232,000,000. Our imports for those two periods have increased from $6,887,000,000 to $9,558,000,000. Our exports during the same time have increased from $9,084,000,000 to $19,674,000,000, and this notwithstanding the fact that our exports of cotton decreased about 33 per cent because of Germany, Austria, and some other countries being shut out of the market. True, in stating these great totals, mention must be made of the fact that on the average money values have risen 50 per cent, but even with this allowance, our exports have greatly increased, not only to Europe, but to all other continents as well.

The United States spent immense sums building the Panama Canal. These sums have totaled $375,000,000 including $50,000,000 paid to the New French Canal Company and to the Panama Republic. Yet when the Canal was built and opened the merchant marine was at such a low ebb that the amount of our sea-borne imports and exports carried in American vessels was trifling. But now with the great American merchant fleets already created and the still greater fleets in process of creation by the United States Shipping Board the Panama Canal has become a waterway of prime importance to the American merchant marine and an undertaking and investment of increasing benefit to the American people.

In 1914, the seagoing American merchant marine comprised only 391 vessels of 1500 dead-weight tons and over, totaling 1,660,679 dead-weight tons. To-day our seagoing fleet of 1500 dead-weight tons and over totals 1389 vessels of 7,043,210 dead-weight tons. All told, within the jurisdiction of the Shipping Board, includ-

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ing requisitioned and chartered ships, there are now (November 1918) 2312 seagoing vessels totaling 10,114,334 dead-weight tons. Since August, 1917, nearly 4,000,000 dead-weight tons — to be exact, 3,912,836 dead-weight tons — of new shipping have been launched, and 2,894,510 dead-weight tons have been completed and delivered for service. Nearly nine times as much seagoing tonnage was built in the United States, in 1918, as in the banner pre-war year of American shipbuilding.

SCARCITY OF SHIPPING — HIGH PRICES

This is only the beginning of a program calling for 25,000,000 dead-weight tons. The major part of the billions we have appropriated were for needs that will not outlive the war. But the expenditures authorized for the United States Shipping Board represent an outlay that will be important after the war. It includes construction, plants, housing, transportation, recruiting, and operation. Every dollar of this is a sound investment for America. It will also provide a great merchant fleet that will repay its cost to the taxpayers by greatly helping in the near future in reducing the cost of commodities to the consumer. To a very large extent the cost of great numbers of products has gone up because of the scarcity of world shipping tonnage. In nearly all of the important articles imported, prices have greatly increased.

The average price of clothing wool in 1918 has been 54 cents per pound as against 23 cents per pound in 1915.

Raw sugar averaged 4.8 cents per pound in 1918 as against 2 cents per pound in 1914.

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Raw silk averaged $5.25 per pound in 1918 as against $3.09 per pound in 1915.

Mackerel averaged 20.72 cents per pound in 1918 as against 10.98 cents per pound in 1914.

Cheese averaged 41.6 cents per pound in 1918 as against 17.3 cents in 1914.

Manilla hemp in 1918 averaged $353 per ton as against $180 per ton in 1915.

Flax averaged $1037.71 in 1918 as against $290.37 in 1914.

These are a few examples of what to a considerable measure lack of shipping has brought about. The program of United States Shipping Board will do much in assisting toward relieving this condition and in bringing relief to the consumer. Large sections of our people are producers as well as consumers. Our fleets of ships will take away the products they raise as well as bring here the essential things we have to import from all parts of the world.

A REVOLUTIONARY ADVANCE IN MERCHANT SHIPS *

To-day we are about to see another revolutionary advance in merchant ships, and the United States will again have some advantage — if we back natural resources with national ingenuity.

Petroleum is the coming factor in shipping. It will be used under boilers to raise steam. Better yet, it will propel internal-combustion engines of the Diesel type — the motor ship. We have an advantage in our large output of petroleum — sixty-five per cent of the world's output. And we are handiest to Mexico's sup-

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plies, now nearly eight per cent of the world production, with remarkable possibilities for increase, and two types of crude oil that are peculiarly suited to marine use.

In making a learned academic forecast of America's new merchant marine a German professor recently said, "In trading with other maritime powers it is right and proper that a nation should carry in its own ships at least fifty per cent of its world commerce."

With petroleum, the motor ship, and American inventive genius and energy, we have reasonable prospects of again carrying our own exports and imports on this Germanic basis of fifty-fifty; but we must not rely upon natural advantages. Coal Oil Johnny will not do the work alone; we must put brains into the job.

Petroleum is about to effect a transformation in world shipping much more remarkable than that which was wrought by steam. The possibilities are fascinating. Both the oil-burning and the motor ship remove handicaps under which the merchant navies of the world have been steadily degenerating. They reduce operating costs, increase range and flexibility, overcome certain international political handicaps in shipping, and improve the living standards and morale of those who go down to the sea in ships.

Land transportation in practically all countries has been developed to a point where competition is regarded as wasteful. Competition probably played a useful part in days when railroads were being built; but, once laid down, it was agreed that competition in railroad operation, with its losses and bankruptcies, worked public damage.

On the ocean, however, the nations have let competi-

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tion run pretty much unchecked. They have done little to overcome by teamwork the violent fluctuations in ocean tonnage, rates, and profits. They have fought each other on a rate basis with very little fundamental knowledge of shipping costs. And the general result has been to make shipping a risky business for the investor and a thankless job for the seaman, and to run the world into a great crisis, with a shipping plant that proved inadequate and antiquated.

A NEW ERA IN SHIPPING

But the world has undoubtedly learned its lesson during the past four years. Peace will find it building bigger merchant fleets on modern lines. Petroleum will give new mechanical advantages and help to bring order into ocean transportation. If international wisdom can be applied to operation and wasteful competition eliminated, shipping may enter a new renaissance.

When Coal Oil Johnny steps aboard a merchant ship and takes charge of the engine room, the transformation is great. The comparatively few shipping managers who have operated with petroleum will tell you that it is like switching from the One-Hoss Shay to a high-powered racing car.

Take the advantages found in the oil-burning ship with steam engines over the coal burner. There is a reduction in the number of men needed in the boiler room, first of all.

Some months before the *Lusitania* sailed on her last tragic voyage American petroleum experts examined her boilers and coal bunkers to make suggestions for converting her into an oil burner. They found this

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entirely feasible, and estimated that her fireroom force could be reduced ninety per cent by the change — that is, one man out of ten would be needed.

ADVANTAGES OF OIL

Next comes reduction in bunker space, with an increase in cargo space. A ton of oil takes five cubic feet less space than a ton of coal, and gives eighty per cent steaming efficiency against sixty-five per cent for coal. This works out to about forty per cent saving in bunker space, which is made available for cargo in a freighter. Moreover, there is a saving in quarters for the crew, because an oil-burning ship carries fewer men. Estimates for the *Mauretania* give a fireroom force of twenty-seven men for oil burning as against three hundred and twelve needed to burn coal.

Oil-burning vessels will make from ten to twenty per cent more mileage than coal burners. There is better control of steaming, because fires can be started and stopped instantly, steam raised quickly, and time in port saved through the greater ease of taking on oil as contrasted with coal. Coaling is always a dirty job and tedious, whereas oil is simply pumped into the double bottoms quickly and without fuss or muss.

There are other advantages: Oil is often cheaper than coal in actual dollars — prices vary widely, of course. Oil does not deteriorate in storage like coal. Oil eliminates the fire risk from spontaneous combustion in coal, and is not subject to the danger of shifting in rough weather at sea. Oil eliminates ashes and ash conveyors, smoke and soot, and the necessity for frequently painting a ship. Oil reduces the expense of grate repairs,

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corrosion of boiler plates, fuel handling devices afloat and ashore.

Even more remarkable, however, is the increase in radius of ship operation and the possibility for planning profitable voyages without handicaps imposed by coaling. The coal-burning ship must stop frequently for fuel. Her nationality may put her at a disadvantage where foreign bunkering stations are used. At the best, coal-bunkering stations in other countries have always involved political complications. Even with the magnificent bunkering facilities afforded British ships, there are various parts of the world where the coal burner must steam a considerable distance, with little or no cargo, simply to take on coal — a well-recognized operating handicap.

But the oil burner has a radius of from two to three times that of the coal burner. Fast passenger liners burning oil for steam could almost make the round trip from New York to Europe and back, taking most of their oil on this side; and with freight steamers running at slower speeds, and burning less oil to the mile, it would be possible for them to go half round the world.

Coal Oil Johnny can give almost any coal-burning steamer seven-league sea boots by a few simple changes in equipment — the installation of oil burners under the boilers and the conversion of coal bunkers or double bottoms into oil tanks.

But even that is only half his potential efficiency. Look a little farther ahead and design your ships to run with internal combustion engines of the Diesel type, and he can double the efficiency.

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The motor ship will operate on about half as much oil as the oil-burning steamer. Its engine-room force is reduced still more — from one to three men are sufficient; and there are no stokers, for the motor ship's mechanical staff is made up of skilled men. A Danish motor liner, the *Fionia*, recently went clear round the globe, making a voyage of thirty-two thousand miles, with only one engineer.

The largest motor ship yet built, the *Glenapp*, recently made her trial trip in Scotland. She is ten thousand tons dead weight, with two sets of Diesel engines, sixty-six hundred horse power. It is estimated she can make from twelve to fourteen knots an hour and run from London to Australia and back more than halfway without replenishing fuel — that is, going by way of the Suez Canal, she could take oil in the Persian Gulf and run back there without replenishing; while by the Panama route she would take oil in the Mexican Gulf.

This means that, with the world's merchant fleets equipped entirely as motor ships, from eighty to ninety per cent of the bunkering stations round the globe could be abolished; ships would require fuel only about twice in going round the world — or at an average of every six weeks. There need be no isolated fuel stations; oil would be taken on only where ships called for cargo or passengers.

ECONOMY AND CLEANLINESS

Any one who has made a voyage through the tropics will find it interesting to contrast this sort of ship with his recollections of coaling incidents. If his voyage was

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through the Suez Canal to Australia or India, for instance, he remembers the terrific heat and how only Chinese coolies can stand the temperature of the fire hold; and how the ship was coaled at Port Said by hundreds of women carrying baskets of fuel. Neither the motor ship nor the oil-burning steamer requires coaling. The engine room of a motor ship need be little warmer than the deck in the tropics; and, besides, there is probably only one man attending the engines, and he is not performing hard manual labor nor is he in dirty surroundings.

The boiler room of an oil-burning steamer can be twenty-five degrees cooler than if coal were burned under the same boilers. For most of the heat in a fire hold comes from opening the furnace doors to throw in coal. There are no furnace doors when oil is burned. With coal, heat escapes every time the furnace door is opened and is lost for steam-making purposes. With oil, there is no furnace door to open and all the heat is used for steam making.

Two tramp steamers of the same tonnage leave New York for Santos, Brazil, calling at other ports on the way. One of them burns coal and the other is an oil-burning steamer. The coal burner makes the voyage in twenty-four days and eight hours, while the oil burner makes it in twenty-one days and thirteen hours — a saving of nearly three days, due to the fact that she runs one knot more an hour than the coal burner, owing to steadier steam pressure and greater speed secured with oil fuel. The coal burner needs twenty-seven tons of coal daily, or 657 tons for the voyage. The oil burner needs 16.7 tons of fuel daily, or 359 tons for the

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voyage. A coal burner carries nine firemen and trimmers; the oil burner only three.

In normal times oil fuel for such a voyage might be either a little cheaper or a little dearer than coal. Suppose coal and oil cost the same. There will be a saving of three hundred dollars in firemen's wages for the oil burner and seven hundred dead-weight tons of bunker space for carrying cargo; which figures, at five dollars a ton, earn $3500 on the voyage. So the oil burner yields $3800 more to her owners and a saving of three days in time. On a year's operation the oil burner would probably make at least two voyages more than the coal burner, and these would be clear profit, except for fuel cost and port charges.

Two ships of the same tonnage went round the world, leaving Europe, rounding Cape Horn, touching at San Francisco, thence crossing the Pacific and going through the Suez Canal. One was a coal-burning steamer and the other a motor ship. The steamer stopped for coal fourteen times and burnt 8500 tons on the voyage. The motor ship burned 1446 tons of oil and had capacity for carrying 1250 tons; so she might have gone nearly the whole voyage, starting with full tanks — actually she left Europe with 820 tons, and bunkered twice — in San Francisco and the Persian Gulf — but turned an honest penny by using some of the tank capacity to carry an oil cargo from one port to another.

The steamer made the voyage in 300 days; the motor ship in 236 days. The steamer carried 7500 tons of cargo; the motor ship 8500 tons. The cost of coal — normal times — was $41,275, and the cost of oil for the motor ship was $12,940 — a saving of nearly seventy

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per cent. The coal burner carried fourteen stokers; the motor ship none. The motor ship carried an engine-room force of thirteen men as against nineteen for the coal burner. So there was a saving in fuel amounting to seventy per cent, a saving in time of more than twenty per cent, and an increase in cargo of nearly fifteen per cent.

These figures become most significant when reduced to terms of early operating costs. Suppose each ship cost one million dollars. The motor ship saved $28,335 on fuel alone in eight months. That amounts to about four per cent annual interest on the entire investment in the ship.

And this is only a comparison of dollars on a coal-burning ship and a motor ship running on an old-fashioned coal burner's schedule. The coal burner spent 183 days at sea and 117 days in port. The motor ship spent 140 days at sea and 96 days in port. Because the world's cargo business is still organized on wasteful lines, with slow turn-round in port, the motor ship dawdled away more than three months in port; whereas, with cargo facilities organized on a motor-ship basis, her greater radius and flexibility in operation would have made it possible to save much of this time. If the maritime world can tackle this one item of waste after the war, it may go far toward paying off the world's war debt.

And the cost sheets do not show that other great item of betterment — morale in the ship's crew.

THE MORALE OF SAILORS

The world's shipping before the war had got into such desperate straits in morale that the men who go down to

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the sea in ships were seldom able to marry and maintain families. There are some British figures that show this condition in a striking way. About sixty thousand British seamen living in the United Kingdom come under the health-insurance law. This law provides a maternity benefit when a child is born in a seaman's family. With a birth rate of about twenty-five children annually, which is a general average, sixty thousand seamen, if married, should claim three thousand maternity benefits yearly.

Actually, less than eight hundred maternity benefits a year are said to have been paid to British merchant seamen's families in normal times; and this is said to indicate a world-wide condition among merchant sailors. It shows one of the world's essential industries disintegrating through blind competition, and in my opinion the remedy must be some form of international system, if not control, and a building up of wages, skill, and morale, which will give the seaman a home and a family, like the railroader or machinist.

With the motor ship we can have an entirely new era in ocean transportation. It calls for skill and effects economies that will yield good wages; and its flexibility and speed should facilitate rearrangement of the world's shipping routes, so the seaman may get home more frequently and have a home worth getting to. . . .

The Diesel engine has been widely applied in Europe for stationary power plants. But its application to ships has been difficult. This requires engines of very heavy construction; and as the mechanism for the gradual introduction of the fuel into the compressed

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air in the cylinders is intricate, the motor ship involves valve problems of its own.

The Scandinavians have made the greatest progress in motor ships, and the most successful Diesel engines on the ocean today are built by the Danes, Swedes, and Hollanders, or under their patents. We have built some motor ships, as have the British also. But certain difficulties, to be overcome by wider experience in designing the engines and operating the ships, have retarded the development of this type. However, there are now prospects of active development for the motor ship in both this country and Great Britain.

The British, especially, are very much interested in this new type of ocean ship, and their splendid technical achievements in naval vessels during the war have given them new methods and a splendid new shipbuilding industry, which will be of great benefit in restoring the British merchant marine as soon as peace returns.

And that is as it should be and what every broad-minded American will rejoice to see; for the British merchant marine, no less than the British Navy, has played a leading part in keeping the world free.

WHERE IS THE OIL TO COME FROM?

If the world should turn during the next ten years from coal to fuel oil, and from steam to the motor ship, the question of petroleum supplies will become important.

At present the largest marine consumption of petroleum in the world is probably that of the United States Navy, estimated at five million barrels yearly under war conditions. This quantity would not go far in operating an American merchant marine of twenty-five million

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tons. Data upon which to figure consumption for such a fleet, with types of passenger and cargo ships running at various speeds and in various classes of service, are not yet very ample. But engineers have adopted a rough-and-ready ratio, estimating one ton of oil yearly to a ton of dead-weight shipping, where the fuel is burned for steam, and half a ton yearly for motor ships.

On this basis the American merchant marine alone would require one hundred and fifty million barrels yearly for steam, or seventy-five million barrels for motor ships. The world's ocean tonnage was fifty million tons before the war, and under the improvement and cheapening in transportation, made possible through petroleum, might increase to seventy-five million tons within the next five or ten years, this estimate including our own merchant marine.

Thus, for seventy-five million tons of motor ships there would be required yearly somewhere between two hundred million and two hundred and fifty million barrels of crude oil. This is approximately half of the world's total present production, and more than eighty per cent of our own production.

Where is the oil to come from?

Fortunately Nature has stored supplies in the earth for precisely this situation. Mexican petroleum is peculiarly suited for marine use. In the district round Tampico, which has been the scene of petroleum development for the past eighteen years, there are two types of crude oil taken from opposite sides of the Panuco River, which runs through Tampico and divides the district. The northern type of oil is a heavy crude oil that cannot be refined, but is suitable for burning to

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make steam. The southern type of oil is lighter. When refined this yields about twelve per cent of crude gasoline and is suited for Diesel engines.

No such oil field has yet been located in any other part of the world. The Tampico district now has about fifty wells in production, with an estimated capacity of fifteen hundred thousand barrels daily — more than twice as much oil as would be needed to operate the world's merchant fleets and navies. . . .

It is so very much worth while to bring the world into this petroleum age that development of new oil resources all over the globe will be one of the chief activities of peace. The world needs Mexico's petroleum for its growth and comfort. Under the earth in the Tampico district are resources capable of influencing the history of the world.

Out of the lessons of international adjustment and teamwork taught the nations by war they will unquestionably find methods of making the Mexican oil supply available to mankind — methods which will not only be entirely fair to the Mexican people, but which will bring them stability, growth, and prosperity.

II

Workings of the Emergency Fleet Corporation

By CHARLES PIEZ

Director-General U. S. Shipping Board Emergency Fleet Corporation

An American merchant marine of 15,000,000 deadweight tons!

Just this will accrue to our country from the activities of the Emergency Fleet Corporation.

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While we were in the chaos of war there was much confusion in the public mind as to the purposes and workings of the Emergency Fleet Corporation and its departments; and now that peace has come and the great emergency has become a thing of history it seems fitting that the American people should know the story.

The United States Shipping Board was created by act of Congress, approved Sept. 9, 1916, "for the purpose of encouraging, developing, and creating a naval auxiliary and naval reserve and a merchant marine to meet the requirements of the commerce of the United States with its territories and possessions and with foreign countries; to regulate carriers by water engaged in the foreign and interstate commerce of the United States; and for other purposes."

The Shipping Board, under the provisions of this act, had the power, if in its judgment such action was necessary to carry out the purposes of the act, to form, under the laws of the District of Columbia, *one* or *more* corporations for the purchase, construction, equipment, lease, charter, maintenance, and operation of merchant vessels in the commerce of the United States, and in the exercise of the power so granted the United States Shipping Board Emergency Fleet Corporation was organized on April 16, 1917, with a capital stock of $50,000,000, all of which has been subscribed for by the United States Shipping Board on behalf of the United States.

As the Shipping Board is, under the act, charged with the responsiblity of doing all things necessary to protect the interest of the United States in the Emergency Fleet Corporation, it has elected to place the control of the

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corporation in the hands of a board of seven trustees, five of whom are the five Commissioners composing the United States Shipping Board.

CENTRALIZED CONTROL

The control of the Fleet Corporation by the Shipping Board is made still more effective by the fact that the Chairman of the board is at the same time President of the corporation. This is not only the case with Edward N. Hurley, the present Chairman of the Shipping Board, but was also the case with the former incumbent, William Denman. It is evident that by this method of control the vast responsibilities which the war has created in regulating water-borne traffic, in constructing under high pressure a merchant marine of more than 15,000,000 dead-weight tons, and in operating not only these ships as they were constructed, but also the German tonnage which was commandeered, and the large domestic and foreign tonnage which was chartered, rest in the final analysis upon the five Commissioners of the United States Shipping Board, but the construction of a fleet and the profitable employment of the fleet were two such widely differing functions and required such utterly unrelated experiences that they could best be accomplished by two separate corporations and two separate Boards of Directors. Proper control and coördination through the Shipping Board was still possible through stock control, and its consequent power to elect directors who conducted the affairs of the two corporations in accord with the general policy laid down by the Shipping Board. . . .

In the popular mind the Construction Division is

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considered the Emergency Fleet Corporation, and as it is to the organization of this division that this article will address itself, I will follow the popular misconception and refer to this division as the Fleet Corporation.

GROWTH OF CORPORATION

The corporation began in reality as a designing and contracting organization, and for the first four months of its existence these two functions overshadowed all others. On Aug. 3, 1917, however, all vessels in American yards under construction or contract for either domestic or foreign account were requisitioned, and this step brought the control of the construction of 413 vessels, necessitating the addition of a Division of Construction to the skeleton organization then existing. The requisitioning of these vessels, involving as it did the setting aside of the rights of owners, brought also a crop of intricate legal questions, which brought the then embryonic legal division into prominence.

But the country's needs for ships could not be satisfied with the output of the shipyards then existing, and substantially every one of the earlier contracts for vessel construction carried with it the obligation of constructing wholly new facilities. In most cases the contractor furnished only a portion of the cost of the shipyard, but was supplied with the necessary additional working capital through advance payments made under contract provisions. Designing vessels and contracting for their construction, which constituted the first place of the corporation's work, was quite naturally followed by plant and shipyard construction as the second phase. In the meantime, however, the demand for war supplies

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was making heavy inroads not only on the available stocks, but on the producing capacity of the industries as well, and the Emergency Fleet Corporation found itself compelled to assume increasing responsiblity for furnishing all of the new yards, and many of the old ones, with the necessary raw and finished materials.

In the construction of wood steamers, only a few yards, for instance, accepted contracts for the delivery of complete ships; the remaining yards undertook the construction of wood hulls only, for which the Fleet Corporation had to provide not only the lumber and fastenings, but the chains, anchors, and other hull accessories as well. The corporation had to furnish in addition the boilers, piping, engines, propelling machinery, deck machinery, and all other parts of the equipment, and had to construct separate plants at which this machinery and equipment could be installed on the hulls delivered by the hull contractors. The construction of the wood steamers, particularly in the absence of definite experience and precedent, presented so many complications that it called for the separation of the construction division into two divisions — one controlling steel ship and the other wood ship construction.

As the construction program developed, it became evident that the two main problems confronting the corporation consisted in procuring an adequate supply of labor and an adequate supply of material delivered in proper sequence. On Aug. 1, 1917, the number of men engaged in the shipyards was in the neighborhood of 50,000, and that number under the drive of our great necessity was increased sevenfold in almost as many months.

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The problems of building up this huge army of workers were numerous, and justified the creation of the Industrial Relations Division, with its various sections. The labor problem was further complicated by the fact that in the scramble for the very limited supply of labor, employers in all the war industries indulged in unregulated and unwholesome increases of wages.

REGULATION OF WAGES

The Division of Industrial Relations became charged, therefore, not only with responsibility connected with the labor supply, its proper maintenance in health and safety, and the adjustment of minor differences and delinquencies, but it had to accept the burden of occupational draft deferments, the training and stimulation of workers, the proper allocation of the available labor supply, including the elimination of "scamping," and last, but by all odds the most difficult, the control of a proper adherence to the day rates, piece rates, and classification of occupations established by the Shipbuilding Labor Adjustment Board.

But the establishment of a stable and effective labor force at each of the yards involved another problem of considerable magnitude. Unfortunately, the shipyards clustered about the fringes of the highly congested industrial centers of the seaboard and on the Great Lakes, and almost everywhere there were lacking adequate transportation facilities, adequate housing facilities, or both. Ninety-five million dollars was appropriated by Congress to relieve these conditions in the shipyards alone and the Division of Passenger Transportation and Housing had to be developed in record time to assume

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charge of this highly important piece of emergency construction.

The necessity of building up rapidly a huge army of shipbuilders out of a labor reservoir made up in no small part of unassimilated aliens involved another task, that of creating a proper *esprit de corps*, of inculcating a realization of the national peril and the individual's duty in the face of that peril, of arousing the latent patriotism of the workmen and the shipyard communities, and building thereon a proper conception of the responsibilities of American citizenship. This task was effectually accomplished.

Procuring an adequate supply of material in proper sequence presented in essence just as many and as serious a set of difficulties as did the supply of labor. Beginning with the simple act of purchasing, the failure to make deliveries called for the organization of a production and expediting department, and the necessity of bringing the finished material to the completed hull presented a difficult task in allocation, dispatching, and transportation. It must be borne in mind that the Fleet Corporation accepted substantially full responsibility for supplying the raw materials, the finished materials, and the machine for a wood ship program amounting to $450,000,000, and that, in addition, it was charged with the burden of getting all the steel and a large part of the machinery for a steel ship program at least six times that size.

Purchasing was but a minor part of a problem which involved responsibility for delay in supplying material of every character to every one of the 171 yards under contract with the corporation.

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SUPPLY DIVISION'S WORK

It was considered that to concentrate in the hands of a single division the responsibility for buying, and delivering to the yards on time and in proper sequence, all the material the corporation was charged with furnishing, and the functions of purchasing, of tracing and expediting, of all allocating and dispatching, of inspecting and of transporting, which in the earlier days of our development were performed by three different departments, were thereupon consolidated under the control of the Supply Division. This division built up effective district organizations in the various industrial centers of the country and maintained its contact with the shipyards through representatives in the offices of the District Managers in the shipbuilding districts.

The concentration of the responsibility for buying and delivering in proper time under one head resulted in better and more intelligent purchasing, and in a much improved estimate of the extensions to manufacturing facilities which the intensified shipbuilding needs demanded.

There were then in reality two great supply divisions, one undertaking to provide the necessary labor and the other the necessary material, and these two divisions served the four divisions that were charged with the supervision of construction: the Division of Housing and Transportation, the Division of Shipyard Plants, the Division of Steel Ship Construction, and the Division of Wood Ship Construction. Each of these divisions developed its own technical department, excepting that in the case of the two ship constructing divisions a single

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technical department covering both naval architecture and marine engineering, for both steel and wood ships, was placed under the administration of the Division of Steel Ship Construction.

For the purpose of controlling the actual construction in the field, the country was originally divided into eleven districts, in each of which there was one or more representatives of each of the construction and service divisions and sections.

This scheme demonstrated its weakness as the functions of the corporation, and therefore the representatives in the districts, multiplied, and the control of all of the functions in each district was thereupon placed in the hands of a district manager who, as the direct representative of the Vice President and General Manager, exercised in respect to the districts all of the authority which the latter exercised over the operations of the corporation as a whole. The number of the districts was reduced from eleven to eight, and the organizations in each district became in substance a cross section of the organization of the home office.

COÖRDINATION EFFECTED

Similar decentralization and coördination of all the war-making and war-serving departments of the Government could have been effected if the same geographical districts had been adopted for all these departments, and if a representative of the President had been appointed in each district as the coördinating officer of the district heads of these departments, with the power to review and veto any question affecting two or more departments. The pyramiding of wages, the placing

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of contracts beyond the producing capacity of the district, the duplication of facilities could largely have been, in this wise, avoided; for most of these difficulties arose out of the wholly unregulated activities of the several large governmental departments.

The control exercised in these respects by the War Industries Board, beneficial and helpful as it was, did not extend far enough, nor was that board created early enough to prevent some of the more flagrant of the difficulties which impeded the industrial processes serving the war. Had the war continued another year, the necessities would inevitably have led to an organization controlling and coördinating all district activities of the several Government agencies and departments, thereby making them immediately responsive to such a national directing agency of industrial processes and needs as the War Industries Board finally became. There would have developed out of such an organization a national labor policy consistent in its aims with the industrial needs of the country and avoiding the needless and expensive competition for the limited labor supply by contractors having cost plus or remunerative lump sum contracts. There would have been provided opportunities of disciplining recalcitrant contractors who offended both the canons of decency and the implied obligations of contract.

DIFFICULTY IN FINDING RIGHT MEN

Every division of the Fleet Corporation presented problems exceeding in number and magnitude the problems presented by an industrial or commercial enterprise doing a business of many millions a year,

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and every division required an organization of which the organization of the corporation was but the pattern. The real difficulty lay, not in choosing the general form of the organization, but in finding men who had not only the necessary experience and capacity for the job, but the proper temperament to blend quickly and harmoniously with the rest for the smooth and effective accomplishment of the task. Since the selection of the men presented the chief difficulty we had no hesitancy in building our organization around the mental capacities and the temperamental peculiarities of the men we had available. The organization of the Fleet Corporation has been in a state of flux from the first and intentionally so, because it gave an opportunity for those quick changes and rearrangements which emergency conditions constantly demand. To-day, with the pressure over, some of the functions will disappear, others will be consolidated, and a new management, adjusted to normal conditions, will result.

The organization through the last six months of its career has been subjected to the constant critical study of an Organization and Methods Section, attached to the staff of the Vice President in charge of administration, and this section has suggested administrative changes, has assisted in the definition of duties and responsibilities of the operating units, and has pointed out duplications of work and inconsistencies and overlaps in jurisdiction. It has made a study of the duties and responsibilities of different positions, and has developed a plan for bringing about uniformity in classification and salaries of employees, which is now in operation.

Instructions given by the general officers of the cor-

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HON. WILLIAM G. MCADOO

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poration are issued in the form of orders, which may be either general, special, or technical; and these for the purpose of securing consistency and harmony with orders of a similar character previously issued are cleared through the Organization and Methods Section. The necessity of such a constant critical study of an organization which extraordinary pressure is expanding with great speed is apparent, and its value in reducing such a hastily gathered organization to a well-balanced effective unit is open to no doubt.

III

Our Merchant Marine and Railroads

By Hon. WILLIAM G. McADOO

The glorious victory for democracy in which America has played such a noble and conspicuous part has given her a commanding position in world affairs. Our own material development makes it more than ever necessary that we shall have access upon just and fair terms to the markets of the world for the disposition of our surplus products. America must go forward immediately and organize her resources effectively for the purpose if she is to enjoy her share of the fruits of the keen and friendly rivalries in commerce in which she must engage with other nations.

Under the provisions of the United States Shipping Act, the great merchant marine we are constructing is to be under Government control for a period of five years from the conclusion of the European War. If our splendid merchant fleet, built with the money of the

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people of the United States at a cost of more than one billion dollars, is to be used successfully in their interest, it must be operated in effective coördination with the great railroad systems of the United States. They must work together harmoniously and reciprocally. During this great period of world development, involving the vital welfare of the American people, it seems to me peculiarly wise that the period of Federal control of railroad transportation shall be made concurrent with that of Government ship control. Then we shall have a great transportation system on land and sea furnishing the reliable, effective service which will protect the interests of the American people and carry them forward upon a career of prosperity and success unequaled in any previous period in their history.

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CHAPTER XV

THE AGRICULTURAL OUTLOOK

I

Our Food Production, Prices, and Distribution

By Hon. DAVID F. HOUSTON

Secretary of Agriculture

This Nation is, relatively speaking, very fortunately circumstanced with respect to its supplies of food and feedstuffs. The farmers of the country have responded magnificently. They have expanded their operations not only because of the expectation of satisfactory returns, owing to the prevalence of large demands and good prices, but they have also patriotically heeded the appeals of this Nation and of the allies for increased production. The facts speak for themselves. In spite of all the difficulties, of labor disturbance and confusion in every direction, the first year of the war, 1917, the farmers planted 23,000,000 acres more of the leading food crops than in 1916 and 32,000,000 more than the five-year pre-war average, and produced record crops of most products except wheat. Of course the partial failure of the wheat crop was in no wise due to lack of interest or activity on the part of the farmers. They planted a large acreage, but had the misfortune to lose by winter-killing the largest percentage of it ever recorded. They further increased the acreage of the principal food crops in 1918, and indications coming to

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the department from the various channels at its disposal show that, in response to the suggestions of the department, they have enlarged their plantings of winter wheat and rye this fall.

LARGE DEMAND FROM EUROPE

Undoubtedly the demand from Europe for available foodstuffs until the next harvest season will be great.

The foreign demand will be for a great variety of foods and feedstuffs, but especially for certain kinds of fats. It is, therefore, highly probable that prices for current supplies, for the harvests of this year, both because of large foreign needs and of continuing domestic demands, will remain reasonably high and remunerative to producers.

When we come to consider the situation which will prevail a year from now and what should be done in respect to further production, particularly in planning planting operations for next spring, we encounter more difficulty in making a forecast. There are too many unknown factors. We must remember that European nations will omit nothing to produce those things with reference to which they can get a prompt response; that is, bread grains and feedstuffs. If conditions settle down and order is restored, all pains will be taken to systematize production and to have those countries become as fully self-sustaining as possible. Again, in all probability, restrictions on trade movement will gradually be removed and ocean as well as land transportation will return to normal in due course. They will doubtless improve in the near future.

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TOO EARLY TO SUGGEST SPRING PROGRAM

It is clearly, therefore, too early to make detailed suggestions for the spring planting, and I know of no one who is wise enough to say what the supply and demand will be and the prices which will prevail a year from now. The Department of Agriculture and the agricultural colleges and other organizations will continue to study the situation, keep close track of developments and, at the proper time, in advance of the next planting season, will be in a position to offer suggestions. In the meantime, we must not fail to adopt every feasible means of relieving the farmers of economic burdens. We are taking active steps to perfect the local organizations coöperating with the Federal and State agencies, so that we may more effectively execute any well-considered plan that later may be devised.

OPPORTUNITIES FOR RETURNING SOLDIERS

What shall we do with the men when they return from France and what will become of those engaged in specialized war industries? Will not those who have come from the farms, who own farms, or who lived on their father's farms, as a rule, return to them as quickly as possible? Certainly the farms need them. Many others have professions, trades, or occupations awaiting them. The experience of some of the nations to date, especially Canada, would seem to indicate that the greater percentage of the returning men will not call for special action on the part of the Government. However, no one will hesitate to say that every consideration must be given to returning soldiers who have no

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places waiting for them and who will be seeking new tasks. They deserve well of the Republic, and those who wish to go into farming who have had any experience which would make such an occupation probably profitable for them must be furnished every opportunity. The Nation and the States will unquestionably come to their assistance, and every feasible thing will be done to secure for them the opportunities they seek somewhere in industry or in agriculture.

STILL PIONEERING THE COUNTRY

Of course this country is not yet filled up. In a sense we are still pioneering it. It is estimated that there are 1,140,000,000 acres of tillable land in the United States and that only 367,000,000 acres are actually in cultivation.

We must consider this whole question in the light of the recent past and of the probable future developments. Many people think too much in terms of to-day. How many of you realize that this Nation in the 15 years from 1900 to 1915 gained a population of 22,000,000, nearly three fifths that of the Republic of France, a nation with producing and consuming power probably greater than that of any South American country? It is estimated, also, that since the European war broke out our population has further increased nearly 3,250,000, largely through natural growth. We have taken care of this population. Those who have wished to farm have found places. Doubtless we shall gain 15,000,000 or 20,000,000 in the next 15 years, and these, too, we shall take care of.

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PERSONAL CREDIT UNIONS

Another task remaining in the field of finance is to provide a proper system of personal credit unions, especially for the benefit of individuals whose financial circumstances and scale of operations make it difficult for them to secure accommodations through ordinary channels. I am not oblivious to the fact that banks now make short-term loans of a great aggregate value to farmers possessing commercial credit, but there are those who cannot easily avail themselves of the facilities they offer. This would appear to be a matter primarily for State consideration and State action. Such course has been approved by many of the best economists and seems to have been that sanctioned by the joint committee of Congress. The department has formulated a tentative model law for personal credit unions and is ready to place itself at the service of any State which is ready to undertake legislation in this field. A number of States already have adopted laws for personal credits.

LAND SETTLEMENTS

I have already directed attention to a phase of the problem of land settlement. I have pointed out that we are still, in a measure, pioneering the country and that we shall be called upon to take care of many more millions of people. Of course, we cannot induce people to stay in the country districts or to take up farming unless we make rural life profitable, healthful, and attractive. Farmers cannot produce merely for the love

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of it. They must consider their bank balance just as other business men do.

It would be desirable to facilitate land settlement in more systematic fashion. This has too long been left to the haphazard intervention of private enterprises, and the Nation has suffered not a little from irresponsible private direction. I think it is high time for the Federal and State Governments both, as well as local communities, to seek to aid in land settlement by furnishing actual facts, reliable information, and agricultural guidance to beginning farmers and to promote well-considered settlement plans.

OWNERSHIP OF FARMS SHOULD BE ENCOURAGED

It is particularly vital that the process of acquiring ownership of farms be encouraged and hastened. This is now the process. Tenancy has its dark sides, but it also has its bright sides. In no inconsiderable measure it is a step toward ownership. It is a stage through which many of our owners have passed and are passing. A helpful influence in this direction is the farm-loan system, and especially its practice of having vendors of land take second mortgages subordinate to the first mortgage of the land bank, enabling the farmer to secure a better rate of interest and to make payments over a long term of years. I have no doubt that the development of the principle of coöperation, especially in respect to personal credit unions, would be a further step for hastening this process.

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STOCKYARDS AND PACKING HOUSES

The matter of the supervision of stockyards and packing houses presents a problem about which there has been much discussion. The restoration and maintenance of conditions which will justify confidence in the live stock markets and the meat-packing industry is the greatest single need in the present meat situation in the United States. As you know, the department, at the direction of the President, is now administering under license the control of the stockyards and related industries. The important results already accomplished under this authority clearly demonstrate its usefulness, and emphasize the desirability of continuing it or some other adequate form of supervision.

The question also of exercising similar authority over the slaughtering, meat packing, and related interests is one for serious consideration. The economic welfare of meat production and distribution would be promoted by the continuation and development in some form of the supervision over the packing industry. Such control, of course, should be closely coördinated with that of the live stock markets, and there should also be established a central office to which packing concerns should be required to report currently in such form and detail that it would be constantly informed concerning their operations. The necessary legislation should be enacted at the earliest possible moment.

The situation apparently requires three remedies: namely, regulation, information, and voluntary cooperation. Federal regulation, organized and administered as indicated, and exercised in close harmony

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with the regulatory bodies of the various States, is the most essential feature. Constant publicity, under Government direction, of current market prices, supplies, movement, and other conditions pertaining to the marketing of live stock, meats, and animal by-products, would materially increase its effectiveness. It would also be a means of stabilizing the marketing of live stock and its products and of making available the information required by producers and distributors in the marketing of their products. A beginning already has been made in the creation of machinery for such service as market centers, and legislative authority for its further development should be continued and extended.

CONTINUATION OF EMERGENCY ACTIVITIES

Under the food production act of August 10, 1917, the activities of the department have been expanded in many directions. This is particularly true of the extension forces, including the county agents, the work relating to the control and eradication of animal diseases, and the market news services. That the efforts of the department in emergency directions have produced valuable results is indicated by expressions coming from all sections of the Union. If the finances of the Nation permit it, it seems clear that adequate provision should be made for the continuance of at least a part of the work after the end of the present fiscal year. I have already transferred to the regular bill the estimates for some of the emergency work of the Bureau of Markets. It would also be wise, I think, to anticipate the amount that will accrue under the agricul-

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tural extension act when it reaches its full development in 1922 and to make such further provision as may be necessary for the continuance of agents of proved efficiency already on the rolls, as well as to continue the intensive work for the more speedy control and eradication of tuberculosis, hog cholera, and the cattle tick, and other important lines of work. Expenditures for these activities are investments.

FARM ECONOMICS AND FARM MANAGEMENT

I have also been keenly interested all my life in the economics of agriculture, and I have therefore not only emphasized in my mind the necessity for developing a strong and effective bureau of markets, but also an organization here for the satisfactory study of the difficult problems of farm economics and farm management. I have by no means been satisfied with some of the work of the present Office of Farm Management. I refer especially to the studies of the cost of farm crops. It is unnecessary for me to point out the difficulties of securing accurate statistics on the cost of producing an agricultural commodity. Corn, for instance, is produced by perhaps 6,000,000 farmers over a continental area. It is difficult enough to ascertain the cost of producing corn on a single farm where there are complex operations. It is equally difficult to secure averages in a given area that are helpful guides. It is even more difficult where a tenant is involved. Still, averages are the best that we can get. A prerequisite, however, is that they shall be based on actual and distinct studies on many individual farms, and that the facts shall be tabulated, carefully inter-

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preted, and set out under the proper limitations. This is not true with reference to the studies recently much discussed. Competent, impartial economists and students of the subject, after careful investigation, reported that the studies were little more than expressions of opinion based on impressions received from conversations with farmers, that the interpretations and expositions were highly unsatisfactory, and that the conclusions as given were misleading.

WHOLE PROBLEM IN MIND

I have the whole problem actively in mind. I am calling into conference the best students of farm economics in the Nation, including the heads of State farm management departments, some of which have developed programs superior to parts of ours, and I shall hope at the proper time to lay before Congress a carefully considered series of projects for an enlarged Office of Farm Management. I shall ask for sufficient authority and funds to secure the services of the best staff available and shall plan to work in close coöperation with well-equipped departments in State colleges and universities. It is my hope that the Nation shall not again be caught without adequate and reliable cost of production data as a basis for its thinking and acting.

I have in mind, I trust, not only further concrete principles for the improvement of the agriculture and rural life of the Nation, but a vision of rural life toward the realization of which I hope to see the department, the colleges, agricultural organizations, farm papers, and all other agencies in the country steadily work.

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II

Opportunities for Profitable Farming

By Hon. WILLIAM G. McADOO

(From the Director-General's Annual Report for 1918)

The Agricultural Section of the Division of Traffic was established for the twofold purpose of more closely coördinating the agricultural development work of the railroads under Federal control with the allied departments of the Government and of prosecuting this work with increased vigor. For the accomplishment of the former a policy of close and complete cooperation with the Department of Agriculture and the Food Administration was early adopted and has since been followed, while the latter purpose was made effective by directing the chief efforts of the agricultural agents of the carriers toward aiding in the most practical and energetic manner possible the campaigns undertaken everywhere for increased food production.

For carrying on the work of the Agricultural Section, the 48 States have been divided between two general committees with special subcommittees to the end that the agricultural departments of the railroads in each State and in the country at large may coöperate with each other and with the appropriate Federal, State, and county authorities, including also civic bodies, manufacturers of farm implements and fertilizers, local bankers and business men, that they may harmonize and coördinate their efforts along definite lines and that possible duplication of work may be eliminated.

The experimental or scientific part of the work is no longer undertaken by the agricultural departments

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of the railroads, but is left to the United States Department of Agriculture and the several States. The railroad agricultural agents' work is more along the lines of dealing with the transportation problems involved; encouraging the production of new or different farm products and increasing that of old; bettering their quality and preparation for market; aiding in finding markets; and bringing about improvements in farm methods as approved by competent authorities.

OPPORTUNITIES FOR PROFITABLE FARMING

With the coming of peace and restoration of normal conditions, the movement of returning soldiers, industrial workers, and others to the farms is expected to assume large proportions. The agricultural representatives of the railroads have coöperated in all sections in getting together the information necessary in the consideration of the plans proposed by the Department of the Interior for reclaiming land for returning soldiers. They have also prepared a great deal of information on the subject of farming opportunities along the several railroads that prompt and intelligent reply may be made to the many inquiries which are coming in from prospective farm settlers in this and foreign countries.

It is our belief that the opportunities for profitable farming have never been so good as now and that with the wider diffusion of modern agricultural knowledge and the strong demand for farm products at fair prices there will be in the next few years a measure of general advancement among progressive farmers never approached before.

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III

The Food Problem a Problem for the American Farmer

By Hon. HERBERT C. HOOVER

United States Food Administrator and Director-General of the International Relief Organization

The dominating food problem in the United States at this moment is a very much bigger problem than the Chicago packers. It is a problem of the American farmer.

If the packer's profit of two or three per cent on his turnover is too high, it is the duty of Congress to tax it out of him. If the farmer's prices threaten to fall below the level of a fair return, it behooves the country to do some quick, clear thinking.

The perplexities arising out of inability to demobilize totally the food situation of the world in the period between the armistice and peace make the farmers' position in the matter of much more immediate concern than the future of the Chicago packers.

ARMISTICE CHANGES SITUATION

Taking it broadly, before the European war began we exported about five million tons of food a year. This year we are prepared to export at the rate of from fifteen to twenty million tons. The increase represents the patriotic service of the American farmer plus the voluntary sacrifice of the average American, under the stimulation of the pleas from the allied governments that without an enormous increase in our food supplies their very lives would be menaced.

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The submarine had so shortened the world's shipping that the Allies were unable to reach the distant markets of the southern hemisphere, and we were bound to create in America sufficient food to carry Europe. If the war had gone on every pound of it and more would have been required by the Allies before next harvest.

The armistice came suddenly, freeing shipping from military use and reopening to the Allies the cheaper southern hemisphere and the colonial markets, where, in addition, they could have more liberal credits and markets for their manufactures.

AMERICAN SUPPLIES A PROBLEM

We are thus faced with a serious problem with respect to our own great supplies, patriotically accumulated. If an early peace is signed and the markets of Europe are opened freely to trade, there will be a greater demand for food from the new mouths than ever this surplus could supply. But in the period between the armistice and peace we have a very difficult situation.

One of the most critical food shortages in the world was that of fats, and the only help lay in an increase in the American hog. Our Agricultural Department and the Food Administration spared no efforts to stimulate this production. Our farmers were assured that in the general shortage, subject only to the uncertainties of war, they would experience no difficulty in marketing their products. Due to the savings of our people and the gradual increased production of our farmers, we have lifted our ability to export 50,000,000 pounds of fats per month in the summer of 1917 to 400,000,000 pounds per month in this January.

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PACKERS AND FARMERS MOBILIZED

To achieve this mobilization of fats it was necessary to mobilize the packers as well as the farmers. There is no doubt that the vast volume of business brought profit to the packers, although at a less percentage than before the Food Administration took charge of it.

The allied nations, in order to effect regular supplies to their people in the face of short shipping and to provide for government rationing, were compelled to take over the entire purchase of these food supplies and thereby abandon the ordinary flow of trade and commerce. In consequence, they concentrated their buying through agencies, and the power of these buying agencies was so great that they controlled the price.

The business of the Food Administration was to bring these buying agents, the representatives of the farmers, who are predominatingly interested, and the great and small packers together and to see to it that a square deal was obtained all around. The prices were settled in a joint conference of the farmers, the representatives of the Allies' buyers and the great and small packers, under the general arrangement that the packer was allowed but a quarter of a cent a pound over and above the price to the farmer and the cost of raw material and labor for packing. The Allies took the entire surplus.

PROTECTION FOR THE FARMER

The situation changed over night with the armistice. The Allies are not only seeking the southern hemisphere markets but they also lately have accumulated large

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stocks of fats as an insurance against the submarine menace. Freed from this menace and with the shortage of finance experienced by all governments, together with the loss in the storage of commodities by deterioration, there is a natural desire on their part to reduce their stocks.

Other factors have entered into the situation. For instance, the inactive armies and munition workers are consuming less fats, and the vegetable is freed for human consumption. This came upon us immediately with the armistice in early November in the midst of our heaviest hog marketing season, which lasts from October until March. When I left home for Europe in November this problem already was facing me as one among many others for which assistance had to be found in the protection of our American farmers, lest from failure to find a market for his product during the armistice and pending the wider markets of peace his prices might fall below his cost of production, entailing great waste of surplus commodities.

We have found it possible to protect the American farmer in the two and one-half months since the armistice. This we have done by coöperating with the Allies, in opening wider markets to neutral countries and by relief shipments into the liberated territories. The next and last six weeks of the high fat production season will be still more difficult to manage, as peace cannot be expected in that time, restoring extended markets.

SEES RELIEF BY NEXT MAY

On the other hand, five sixths of this problem is already completed, and by next May, if we have peace

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and freedom, any surplus that accumulates now will be turned into another world shortage of fats. Indeed, if the entire consuming populations of the world were able to obtain fats to-day, there would be a shortage at this moment, even with our great surplus production.

Numerous solutions have been proposed. It has been considered that the allied governments should continue to purchase the surplus production of pork products despite the accumulated stocks and lack of immediate need, and thus protect the American farmer against the surplus provided especially for them. It has been contended that they are under moral obligations to execute the forecasts of their requirements given from time to time through their various agencies.

The Allies can, however, contend that they also have great problems of excess production in commodities such as munitions, which they have, likewise, produced under war pressure. They can contend that we have jointly fought and won the war; that this is sudden and catches us all with a vast production which must be faced and liquidated by each of us without undue pressure, one against the other; that they, like ourselves, are entering a period of large unemployment during the readjustment; and that their people, like ours, need lower food prices.

The real solution lies in the hope of early peace, and in the meantime the steady demobilization of all restrictions on free marketing of surplus foods, except in enemy territory, thus reëstablishing the law of supply and demand.

Practically all restrictions on American food exports have been removed. Progress has been made in lifting

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neutral blockade restrictions, and further relaxations of blockade measures are under earnest consideration. The readjustment of consolidated buying agencies is hoped for, in order that merchants may enter upon trade freely on both sides and thus secure a normal basis of price determining, without any dominating influences.

It is, however, no more possible to demobilize in a week the whole of these intricate forces set up during the war than it is to demobilize our army by dismissing it on the field. And, pending these solutions, our American farmers, merchants, packers, and banks simply must stand together for two or three months to carry our excess surplus over until the markets of the world have been more extended and finally liberated by peace.

IV

Operations of the Federal Land Banks

By Hon. CARTER GLASS

Secretary of the Treasury

(From the Second Annual Report of the Federal Farm Loan Board, Dec., 1918)

Our first report covered the period from the organization of the board up to November 30, 1917, and was necessarily made up, in large part, of an account of the organization of the farm loan system. . . .

The present report covers what may be regarded as the first year of operation, as distinguished from organization. It has been a year of very evident progress. The number of farm loan associations chartered has grown from 1839 to 3439. The capital of the 12

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Federal land banks has grown from $10,488,230 to $16,250,285. The amount of loans in force has grown from $29,816,304 to $149,004,439. The number of joint stock land banks has grown from four to nine, and their loans now amount to $7,380,743. The loans of the Federal land banks have been made at either 5 per cent or 5½ per cent interest. Most of those made by the joint stock land banks have been at 6 per cent. The loaning of this sum of over $150,000,000 has been of distinct and direct benefit to more than 64,000 borrowers, and has been of indirect benefit to every applicant for a farm loan through private agencies. A distinct reduction, not only in the rate of interest on such loans, but also in the accompanying charges and commissions, was manifest almost immediately after the passage of the act. When general conditions made necessary in December, 1917, an advance of one half of 1 per cent in the rate charged by the Federal land banks, there was a proportionate increase in the rates charged by most of the private agencies; but these rates, even in these days of stringency and stress, are little, if any, higher than they were in the normal times of easy money, prior to the establishment of the Federal farm loan system, and in many localities even lower. There could be no more conclusive proof of the regulatory effect of the system.

ECONOMIC ADVANTAGES OF THE SYSTEM

Bearing in mind the facts that the total volume of the farm loans of this country is estimated at $4,000,000,000, and that the interest upon this vast sum is paid by toilers in the least remunerative and most

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essential of all industries, it is plain that the economic advantages of the system have been demonstrated beyond the possibility of doubt. . . .

In so far as the loans made by the banks have been for the purpose of putting land under cultivation, or for the purchase of farm equipment, live stock, or fertilizers, these loans have directly tended to the increase of agricultural production. Still more valuable than this direct money assistance has been the effort which the banks have made to educate farmers to better agricultural methods, and in many cases to enforce their suggestions by making them a condition to the granting of loans. . . .

The total payments due by borrowers to the banks up to October 31, 1918, exceeded $3,247,000, and on that date only $86,073 of this amount remained unpaid, of which only $10,730 was 90 days or more overdue. We scarcely venture to hope that such an exceptional record as this can be permanently maintained, but the present figures bear testimony to the care with which loans have been made, and justify the belief that losses on defaults and foreclosures will be negligible in comparison with the great volume of business done.

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CHAPTER XVI

DEMOBILIZATION AND UNEMPLOYMENT

I

Government Farm Plan to Help Soldiers

By Hon. FRANKLIN K. LANE

Secretary of the Interior

Secretary Lane, author of the soldiers' land settlement legislation pending before Congress and submitted to the Governors of the various States, has, at the request of soldiers, outlined the scope and status of the Government's plan for providing work and farm homes for discharged soldiers. His statement follows:

A perusal of the letters already filed in the Department of the Interior will convince the most cynical critic of the plan that land hunger is to-day as unsatisfied as it was after the Civil War, that hundreds of thousands of our virile American citizens will welcome the opportunity to continue working for Uncle Sam and help him build the necessary dams and canals, dig the drainage ditches, blow the stumps, erect houses and barns, and construct roads and lay out town sites.

Every letter is an animated question: "Where is this land?" "How soon can we begin work?" "Has Congress appropriated the money necessary for construction?"

There are letters from France; letters from camps in

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the United States; letters from officers and letters from privates; letters from soldiers of former wars; letters from soldiers' wives, —all breathing the spirit of the open air and of the desire to be a part in this "back to the land movement" which needs only the appropriation of the necessary funds to make it a reality.

$100,000,000 ASKED

Under the legislation now being considered by the House Appropriations Committee, Congress is asked to appropriate $100,000,000 for the purpose of providing employment and farms with improvements and equipment for honorably discharged soldiers, sailors, and marines of the United States.

Two factors are at the foundation of the plan under consideration: On the one hand thousands of acres of non-productive land, a veritable "no man's land" of desolation; on the other 4,000,000 or more returned fighting men who will want jobs or an opportunity to attain a home.

Land reclaimed in the manner suggested is to be disposed of under general regulations so as to insure the reimbursement for the investment to the United States during a term not exceeding forty years from date of entrance upon the land by the settler, together with annual interest at 4 per cent. The Secretary of the Interior is authorized to make any arrangements and to perform all acts necessary in connection with the development of any project by purchase or condemnation, for effectuating the purpose of the scheme.

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STATE COÖPERATION ASKED

In addition there has been forwarded to the Governor of each State a suggested bill for the consideration of State legislatures, providing for coöperation between the States and the United States. The general scope of the State legislation is expressed in the first section of the proposed act as follows:

Sec. 1. The object of this act is, in recognition of military service, to provide useful employment and rural homes for soldiers, sailors, marines, and others who have served with the armed forces of the United States in the European war or other wars of the United States, including former American citizens who served in Allied armies against the Central Powers and have been repatriated, and who have been honorably discharged, and to accomplish such purpose by coöperation with the agencies of the United States engage in work of a similar character. This act may be cited as "the (name of State) Soldier Settlement Act."

The whole subject is being considered by the House Appropriations Committee as a part of the Sundry Civil Appropriation bill now before the committee. It will be possible to begin operations under Federal authority as soon as the requested appropriation is forthcoming.

SPECULATION BARRED

As I have pointed out before, these farms should not only be so small that they would not be speculative ventures in unearned increment, but they should be non-transferable to any one holding an equally large

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tract of land in the same State. This will prevent their being aggregated into great estates. To compel their use the owner might be required to live on the land for five years.

May I repeat, there can be no surer insurance for the nation than to put its men on the soil, and there can be no wiser investment that a nation can make than to add to its territory by taking from desert and waters and desolation land that is now useless.

II

Rebuilding the Injured Soldier

By Hon. HOKE SMITH

Prior to the present war, the policy even of the most advanced nations was to care for their crippled and disabled men with small pensions, leaving them to recruit the ranks of mendicants; but now, and for years to come, every unit of productivity will be needed, and useful occupation may cheer the lives of the injured, while it serves their country.

Having been Chairman of the Senate Committee on Education and Labor for the past six years, I feel I can give assurance that no effort and no expense will be spared by our Government to fit disabled fighters for self-sustaining positions, and to aid them in securing such positions. This work will be done by the National Government in the performance of an obligation, and not as an act of charity. We owe it as an obligation to those injured in the war. We will need them rehabilitated as a force in our national life.

Each American soldier, sailor, and marine suffering permanent disability must be and will be offered and

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urgently pressed to accept an opportunity to reëstablish a place in life for himself and society as good as or better than the one he occupied before entering the national service.

The Belgians founded a school for crippled soldiers in France at which "not only are disabled soldiers trained in new occupations, but the school in the course of its operation produces enough supplies for the Belgian army, to make the enterprise self-supporting."

England, Italy, Canada, and Australia have accepted the new view. They are training the disabled soldiers along the most varied lines, suiting their new occupations to their physical and mental conditions, and holding out to each the opportunity to come back and be a real force, — independent, self-supporting, and contributing to his country's progress.

HOW OUR GOVERNMENT WILL REHABILITATE SOLDIERS

More than a year ago the problem of furnishing opportunity for rehabilitation to our own disabled soldiers and sailors attracted attention in many parts of our country, and especially in Washington. More than one commission was formed of voluntary workers to consider the subject. I presented a resolution to the Senate, requesting the Federal Board for Vocational Education to investigate and furnish information to the Senate which might aid the Senate Committee on Education and Labor in the preparation of legislation. This was done, and the information was valuable. Finally, a board, composed in part of representatives of the Navy, of the Army, and of the Federal Board for Vocational Education, prepared a bill, which was substantially

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the bill I introduced in the Senate, and which was approved by the Senate Committee on Education and Labor. This bill has become a law, and under it the Federal Board for Vocational Education has charge of vocational rehabilitation of disabled soldiers.

The law provides that the disabled soldier, when discharged from the hospital, shall come within the supervision of the Federal Board for Vocational Education. While he is in the hospital, he is under the control of the Surgeon-General's office; but the Federal Board for Vocational Education, through educational experts, may act in an advisory capacity to the surgeons in the hospital.

In the hospital all is to be done that may be done to restore physically the injured soldier; to make him again sound if possible,—if limbs are lost, to furnish artificial limbs, or rather mechanical appliances of a character suited for actual use rather than for ornament.

In the hospital, and even before the patient reaches the hospital in the United States, every effort is to be made to inspire hope and confidence that the injured man may again be able to play a part in the peaceful forces of his country.

TRAINING TO COMMENCE IN THE HOSPITAL

The work in the hospital will be made to dovetail in with what the patient will be advised to take up permanently, but it will essentially be only an introduction to the real vocational training which it is hoped the injured soldier will utilize in the broad way after he leaves the hospital.

The Government has set aside a fund of $2,000,000

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for this work during the present fiscal year. That amount was appropriated because some fixed sum had to be. Whatever is needed will be given, for this year or the next or the next.

Complete authority for carrying on the work is given the Federal Board for Vocational Education. We were fortunate in having already established that organization which had developed much of the needed machinery.

Not until the soldier is discharged from the service and is again a civilian will the full work of vocational rehabilitation begin. The Vocational Board will assist the hospitals in providing light occupational training during convalescence, which training will be selected first for its therapeutic value, and second for its occupational. The Board may have representatives in the hospitals to advise with its managers about such work and to study and advise the patients and to assist in conducting the occupational work carried on there.

By the time the patient is ready to leave the hospital, he should have been able to decide what new occupation, if any, he shall accept training in, and probably will already have begun preparation for it. Then the Vocational Board takes full control, the Surgeon-General's office's relation to the case becoming what the Board's to that time will be; that is, advisory.

Virtually the only substantial disagreement in working out a general plan was as to whether it would be best for the army or navy to retain complete control of the disabled man until he was vocationally, as well as physically, restored. Some thought it would be best to keep him technically in the service during his vocational training so that he would be fully amenable to the rules

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of military discipline. This method was at first undertaken by some of our Allies and found to be unsatisfactory. In France, while the men were continued under military control, eighty per cent refused to undergo occupational training. In England, where civilian control was adopted and the men allowed to volunteer for reëducation, eighty per cent willingly took the training.

RESTORING SELF-RELIANCE AND INITIATIVE

Furthermore, the training is more effective when it is carried on away from military restraint. A great deal of military psychology must be "trained out" of the men before they become fully efficient industrial workers.

They must, in large measure, be re-taught self-reliance, initiative, confidence, which can best be done when they are removed from every semblance of military authority.

It is also left with them to decide, first, whether they shall take up training at all, and, second, for what occupation they shall be trained. The Vocational Board may advise them and will do so with great care, after studying each case and placing before each man information as to occupations he may be fitted for, but it cannot coerce. The only penalty provided in the law is that, after the disabled man has accepted and begun training and then abandons it, the allowances granted him under the War Risk Insurance Act may be temporarily suspended at the discretion of the Board.

Those allowances will be sufficient to relieve the disabled man of all undue anxiety while undergoing training. They will be the same as given during his service,

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except when the compensation for disabilities due him under the War Risk Insurance Act exceeds the pay drawn for his last month's service, it, and not the pay, shall be given. Whereas, if a former enlisted man has dependents, 50 per cent of his pay or allowance, together with what the government had been adding to it, will be allotted them until his reëducation is completed and he is placed in a position.

All benefits under the act are allowed officers as well as men. Any one entitled to compensation for disabilities under the War Risk Insurance Act is *prima facie* entitled to receive revocational training, the only other stipulation of the law being that, in the opinion of the Vocational Board, the disabled man is unable on discharge "to carry on a gainful occupation, to resume his former occupation, or to enter upon some other occupation, or having resumed or entered upon such occupation, is unable to continue the same successfully . . ." Thus the widest possible discretion is allowed.

No case entitled by law or merit should be or will be neglected.

PRACTICALLY NO HOPELESS CASES

The Board has unlimited discretion in the selection of occupations and even professions in which to offer these disabled men reëducation. It may employ existing institutions or establish new ones. It may make arrangements with shops, individuals, or any other agency for giving these men the training they should have. There is no time limit or expense limit; the allowances continue and all expenses are borne by the Government if a man is in training a month or years.

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Wherever practicable and industrially advisable, the men will be urged to adopt occupations wherein they may make use of such experience as they had before entering the army.

For example, two men, who were butchers on enlistment, each lost a leg, and are now being prepared to become meat inspectors. In many cases, as in the two mentioned, the men will become fitted for higher and better-paying positions in the line of work they followed before going to war.

A former dairy worker has been sent to an agricultural college, where he will be given a special course in dairy farming, so that hereafter he may supervise where before he only labored. A negro farmer, no longer able to follow the plow, has been sent to Hampton Institute, where he will be given a special course in poultry raising.

The Federal Board of Vocational Education has issued a pamphlet giving the occupations open to disabled men of every type. They number into the hundreds and the list is far from complete.

There are practically no hopeless cases, except those suffering from permanent mental derangement, and all of those are not hopeless.

Dr. Bourillon, the French reëducationist, declares: "It would be rash to draw up a limited list of the trades which can be taught to the mutilated, for often an ingenuity and unsuspected skill allows of their doing work which at first sight seemed to be impossible."

It is the duty of the Board to aid the men to secure positions after training is completed. In this part of the work no great difficulty is expected, for the leaders

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of industry, or organized labor, and all outside agencies are offering every reasonable coöperation. In time, of course, these men will be subject to the same economic laws that affect all labor, but they will have the extra security coming from the fact that there rarely is an over-supply of skilled workers.

The policy will be to give disabled soldiers, after they leave the hospitals, opportunity for reëducation so specialized that their superior training will enable them to successfully compete for employment in occupations useful and paying, in spite of disabilities caused by injuries.

ONE PER CENT OF ALL SOLDIERS NEED REHABILITATION

How many men will come under the terms of the law no one can safely estimate. The experience of Canada and Great Britain up to last spring was that one per cent of all sent to the front would need rehabilitation along vocational lines, and can be greatly aided thereby.

OVER-SENTIMENTALIZING INJURIOUS

An obstacle in the way of the complete performance of the work of rehabilitation is the tendency to over-sentimentalize about the subject in question. This tends to cause some who are disabled to unduly estimate their handicaps and to become fixed in the belief that they face hopeless futures. It also may lead some into adopting new occupations more unique than practical, and upon which they cannot safely depend.

The public may take a very important part in this work, and it can begin by restraining the natural, and in a

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way admirable, impulse toward sentimental and emotional excesses in dealing with the disabled soldier.

The public should be further warned against the danger of acquiring a warped and partially false perspective of the subjects to be dealt with and the way they must be dealt with. Popular publications have circulated much in the way of reading matter and pictures on this question, but the bulk of it bears on those phases most appealing to the imagination. We read much about what is done for "cripples," particularly the maimed and the blind. No one would withhold an item of praise or encouragement for the wonderful things, therapeutically and vocationally, being done for the most highly pathetic types of the disabled, like the blind, the armless, or the legless. Yet we should not forget that they constitute a very small proportion of all those who must be restored physically and occupationally. Seventy-five per cent or more of the total are disabled in such ways as are not visible on casual observation. Of all the Canadians who have returned from the war, fewer than fifty are blind.

We will care for our injured soldiers, and will broaden our conception of national responsibility to coöperate with the States that all our citizens may be given better opportunity to prepare for the pleasures and burdens of life.

III

The Problem of the Demobilized Workers

By Senator JOHN WINGATE WEEKS

Nearly three years ago conferences were held by the Allies at which certain general principles were adopted

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SENATOR JOHN WINGATE WEEKS

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in regard to trade conditions after the war, the relationship of one power to another, the relationship of the Allied nations to friendly countries, neutral nations, and the enemy governments.

Similar conferences were held by the Central Powers. Quite likely the conclusions reached at that time may have to be modified, but these conferences indicate the tendency of the other nations to do things which every one must recognize as absolutely essential. . . .

The United States is remaining absolutely idle, and unless we act promptly, we shall lose a great part of the commercial trade advantages we have obtained during the war, and we will have much confusion which it will take a long time to overcome.

THE SHIP PROBLEM

Let us take, for example, our shipping interests. At the end of the war we are likely to have a merchant fleet larger than that of any country in the world. This fleet will be very largely owned by the Government.

Are we going to sell the yards, lease them, or is the Government to continue operating them? It may be decided to be best to abandon those least advantageously located. What are we going to do with this enormous American tonnage?

Our trade with neutral countries has been greatly increased, and it is in condition to be developed to a much greater extent. Before the war, out of a total production of some six billions of dollars we found it necessary to secure foreign markets for something like a billion of our products.

The entire productive capacity of the country has been

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increased enormously since the beginning of the war. If it is to be operated at its full capacity, especially when the demand for munitions of war ceases, the United States will quite likely have an additional productive capacity of from 25 to 50 per cent.

Markets must be found for this surplus production, and they must be foreign markets.

LABOR CONDITIONS

What are we going to do with all the manufacturing plants and other establishments created for war purposes? What are we going to do with the millions of war workers now busily employed, and who will find themselves out of employment at once when peace has been declared? . . .

The evidence would indicate that the savings of workers of that character have not been materially greater than in normal times. If that is true, it will not take very long to dissipate their savings. Without assistance from the Government it will take a long time for them to readjust themselves with civil employments. Therefore we should prepare to meet this problem and develop a definite plan. . . .

FINDING EMPLOYMENT

If any plan has been adopted for demobilization of our Army and Navy after the war it has not been brought to my attention. What is to be done with these men, and how are we going to aid them to resume their former or other civil employments?

With the single exception of a statement recently made by Secretary Lane, of the Interior Department,

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relative to occupancy of public lands by soldiers and sailors, I have not heard of even any tentative schemes proposed to provide for this exigency.

Providing employment for 5,000,000 men and transferring the millions of war workers into similar employments will mean vastly increased production. It is useless to provide for this production unless we make provision for its disposition. In this connection the importance and necessity of securing foreign markets is again demonstrated. If that is not done our surplus products will be so much greater than our demands that it will not be profitable to produce.

TRADE EXPANSION AND CREDIT FACILITIES

When peace is declared there will be in process of completion billions of dollars of war orders. Necessarily most of those orders will be canceled immediately. That will mean that manufacturers will have under contract large quantities of raw material. The prices of such materials will undoubtedly decline at once.

Who is going to be responsible for the losses incident to that situation? Unless the Government saddles itself with these deficiencies there will be claims aggregating billions of dollars, and we will have uncertainty for years to come, and probably many failures. The credit facilities of the country must be prepared to meet this condition.

FATE OF WOMEN WORKERS

Millions of women are now doing work heretofore performed by men. Are they to return to their former employments or unemployment, or are they to continue

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their present pursuits in competition with the millions returning from military service?

Would it be well for us to provide for permanent employment agencies throughout the country, and not only find employment for those seeking it, but arrange for the transferal of unemployed to localities where there is a dearth of labor?

UNJUST PENSIONS

Many European countries and other nations have taken steps, nationally, relating to many social welfare questions; for example, like providing for old-age pensions, life insurance, and other similar matters. Those questions are being agitated in the United States in some localities, and a pensioning system has been adopted applying to a limited number of civil employments.

It is being done in a desultory and probably unsatisfactory and unjust way. If it is wise to do it at all, it should be wise for the National Government to do it.

But before any comprehensive action is taken the results obtained in other parts of the world should be carefully canvassed. This is the time when that series of questions should have careful consideration.

If the surplus output of products is likely to exist — it certainly will if all of our people are employed — how are we to develop plans to secure new foreign markets for them, and are our credit and banking facilities sufficient to finance additional foreign markets on such a large scale? With our large shipping interests fully developed, our agencies established in many neutral

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countries, we may well take advantage of the opportunity to extend these markets.

HOME PRODUCTS

Moreover, a careful investigation should be made as to the possibility of manufacturing articles which the United States has purchased abroad in the past, but which can be produced in this country.

Every encouragement should be given to the establishment of such industries, either through protective tariffs or other means, so that as far as it is possible we shall produce the things which we actually use.

One of the strongest features of the German campaign is the fact that Germany has been able to provide most of the things it actually required during a time when its coast has been blockaded.

This question brings us to the question of trusts and combinations. Heretofore the German Govermnent has been an active participant in the organization of combinations and trusts. It has not only encouraged them, but has taken a financial and active interest in their operations.

If we may judge by the reports of the various British commissions, and the conclusions they have reached, Great Britain intends to out-German Germany in this respect.

MUST MODIFY POLICY

Undoubtedly we are going to modify our past policy in regard to large combinations. If we do not do so, we are going to lose our present advantageous position in world competition.

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Just as an example of the views entertained by the British committee on commercial and industrial policies after the war, let me make one quotation from this report. In speaking of foreign trade, it says:

"In all probability a permanent improvement can only be obtained from better organization of the trades concerned, but those interested will almost certainly look for assistance from the Government in a variety of ways, and questions involving tariffs will have to be considered and dealt with."

Great Britain talking about tariffs!

"In our opinion it will be necessary for the Government to give special consideration to the circumstances of each trade, and any request for encouragement and assistance should be dealt with not only on its own merits, but in relation to the trade of the country as a whole."

TRADE COMBINES

We have by legislation permitted American industries to combine in foreign-trade operations. Shall we or shall we not permit such combinations in relation to our home markets?

We may also find it desirable to consider the whole question of raw materials and their regulation. If I may judge by the sentiment expressed as a result of foreign investigations, it is the purpose of European countries, as far as may be practicable, to control raw materials produced in those countries.

Not only that, but it is the intention to control capital or the uses made of capital raised in the home country to be invested in foreign countries. A very pertinent

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suggestion in this respect may be found in the report already quoted.

"Amongst other recommendations the departmental committee suggests that all purchases of iron or steel made by or for the Government, public bodies, and railway companies within the United Kingdom should be of British manufacture; that the raising of capital in the United Kingdom for undertakings abroad should be conditional upon the purchase of as much of the material required as possible in this country."

Moreover, the committee on reconstruction should look with great care into the war expenditures, and should make recommendations for changes and economies in the existing systems. Necessarily in time of war more or less waste and extravagance prevails. When the war is over the strictest governmental economy must be observed, and we should be ready to at once readjust our civil government system to a peace basis which will combine economy and efficiency.

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CHAPTER XVII

WHERE AMERICAN EDUCATION HAS FAILED

THE thorough, efficient way in which the Government has handled the problem of educating the soldier and sailor has goaded the States to examine into their own educational systems. California took the initiative, and her committee of leading educators, appointed to consider the reorganizing of the State's public schools, has already made its report, a striking feature of which is that the State shall provide all individuals both variety of educational opportunity and necessary continuity of education reaching through all gradations of learning, training, and research.

The following articles by distinguished educators emphasize most forcibly the immediate need of educational reform in the United States:

I

DEFECTS IN AMERICAN EDUCATION REVEALED BY THE WAR

BY CHARLES W. ELIOT

President Emeritus of Harvard

The war has revealed to the American public the unexpected fact that there is a considerable amount of illiteracy in the population, unevenly distributed among the different States, but disappointingly large on the

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average — 7.7 per cent. This illiteracy was conspicuous in the army and navy, which the Government undertook to recruit rapidly by draft, and was at once seen to present serious obstacles to the rapid training of effective Government forces. The public promptly perceived that the prevention of illiteracy was a national interest, which should never have been left to the States without any supervision by the National Government. Although the existing illiteracy and its consequences were brought to the attention of the American people by the war, the whole people at once saw that the public interest in the prevention of illiteracy was not at all confined to war times. They saw that the prevention of illiteracy was even a greater object for the nation as a whole in normal peace times than in abnormal war times; so that the whole people is now prepared to support, and indeed to urge, whatever appropriations Congress may think necessary, in order that the National Government may bring effective aid to the States in extinguishing illiteracy.

The organization and training of the national army also brought clearly into view the fact that a significant portion of the young men liable to military service were not acquainted with the English language, and that this ignorance made it more difficult to produce promptly an effective army and navy. Private persons and private incorporated societies had already seen that this ignorance of the English language on the part of alien operatives was impairing efficiency and productiveness in various American industries, and had taken some measures to remedy locally this evil. But these efforts were necessarily limited by lack of

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money and could only be of the drop-in-the-bucket sort. Here again we discern a national interest and an urgent need for immediate expenditures on the part of the National Government in aiding all State and municipal efforts to teach English, not only to children of alien birth, but to adults as well. The best form of this aid would be a contribution in money for each pupil that has completed a course of instruction covering a specified number of lessons and passed an examination prescribed by the National Bureau of Education.

ATTRACTIVENESS OF AMERICA

It is the attractiveness of the country as a whole to various alien races which has produced this difficulty in the American army and navy and in some important American industries; so that the National Government may fairly take part in abating it. Whether this new function of the Government will become permanent or not will depend on the renewal of immigration from Asia and Southern Europe.

The draft also revealed the prevalence of venereal disease among the civil population of the United States, both urban and rural, to a degree which has appalled the entire people. The War Department and the Navy Department at once set to work to treat venereal diseases within the army and navy and to prevent the spread of these terribly destructive diseases within the military and naval forces. The campaign conducted by both departments against these diseases in and about the barracks, camps, and cantonments of soldiers and sailors at home and abroad has had a prompt and large success. To maintain and develop this campaign

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against these highly communicable diseases after the war ceases will require large appropriations from the National Treasury and the maintenance of a considerable corps of public health officers under the direction of the Division of Venereal Disease, which has already been created in the Treasury Department. . . .

* * * * * *

WHAT THE WAR HAS TAUGHT US

The war has brought home to millions of young men and to other millions of their relatives, friends, and acquaintances that in the new kind of fighting, by means of innumerable applications of chemical and physical science, the soldier or the sailor needs intelligence, personal initiative, well-trained senses, and some skill of eye, ear, or hand. All the belligerent governments have learned this lesson. They have learned that armies and navies need a large proportion of skilled workmen in the field, at the front as well as behind the front. They have learned that every private soldier or sailor needs to understand orders, to remember them, and to comprehend the plan and objects of a given attack, so that he can carry out the orders even if no officer or non-commissioned officer be left to guide him. If then a nation may be called on to put an effective army into the field at short notice, its schools should have given constant attention to the training of the senses and the memory and to the acquisition of skill. All American schools must, therefore, add to their present programs, which are based chiefly on literature and mathematics, instruction in the sciences of observation in the arts and crafts, and in the elements of music,

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drawing, modeling, and architecture; and must give all pupils practice in the use of their own eyes, ears, and hands in productive labor, and in the inductive method of reasoning.

THE AGRICULTURAL ARTS

The war has also placed in a clear light the need all over the world of a more productive agriculture, and has shown how that need may be satisfied through giving instruction to children and adults in the means of increasing agricultural productiveness through the study of soils, seeds, food plants, domestic animals, and the best means of cultivating and improving the soil. It follows that the teaching of agricultural science and art should be an important feature in the education of every child in both the urban and the rural population. Fortunately, the agricultural arts afford admirable means of training children and adults to accurate seeing and recording and then to sound reasoning on the records made.

The war has made plain to multitudes of people what was known before to a few, that human testimony is as a rule untrustworthy, not because the witnesses intended to deceive but because they were unable to see, hear, or describe correctly what happened in their presence. This inability to see, hear, touch, and describe accurately is by no means confined to ignorant or uneducated people. Many highly educated American professional men have never received any scientific training, have never used any instrument of precision, possess no manual skill whatever, and cannot draw, sing, or play upon a musical instrument. Their entire

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education dwelt in the region of language, literature, philosophy, and history. Their habits of thought permit vagueness, obscurity, and inaccuracy, and their spoken or written statements have these same defects.

GREAT EDUCATIONAL CHANGES NECESSARY

These facts suggest strongly the urgent need of modifying profoundly the programs of American elementary and secondary schools. They must no longer cling almost exclusively to languages and literature and the elements of mathematics. They must give a considerable part of school time to the sciences and arts, and to the acquisition by every pupil of some skill of eye or hand or both, and at the same time must increase rather than diminish the amount of training they give in memorizing to hold, in discrimination between the true and the false, the good and the bad, in the selection of premises, and in sound reasoning.

In order to introduce the new subjects and the new methods into the existing schools of the United States it would be necessary to reduce somewhat the number of periods assigned to the memory subjects and to mathematics, and also to utilize more hours in the school day and reduce the long summer vacation. The new subjects and methods require a good deal of bodily as well as mental exertion, so that they can be added to the school program without risking the health of the children, provided that all schoolrooms, including shops and laboratories, be well ventilated. Moreover, much of the instruction in geography and agriculture can be given out of doors, the teachers taking part in the necessary excursions.

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It is an essential part of the new methods of instruction that the pupils should be stimulated to hard work in every subject, including the literary ones, by interesting them in doing things themselves rather than by reading about objects or events or being told about them. All teaching should be as concrete as possible, and every subject, including, of course, the literary and historical subjects, should be illustrated by the study of personages, places, charts, diagrams, and pictures. It is indispensable to success with the new subjects that the pupils should use their own eyes and hands and themselves describe and coördinate their own observations. In the study of the notes and records they have made out of their own observations, they must apply their own powers of memory, discrimination, and expression.

ENGLISH COMPOSITION

Every child should be encouraged and induced to acquire the habit of giving an account to the teacher or the class or the whole school of anything he has read or seen or done. An excellent way to teach English composition is to provide a daily exercise, oral or written, or both, for every pupil in this sort of description, the teacher restricting her own performance to showing the pupil where he or she has failed in simplicity, directness, or accuracy of description. It is important that all subjects whenever possible be taught from actual objects to be accurately observed and described by the pupils themselves. Pictures or drawings of objects will not answer the same purpose. It should also be the incessant effort of the teacher to relate every lesson

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to something in the life of the child so that he may see the useful applications of the lesson, and how it concerns him. Again, much time may be saved in teaching the familiar as well as the new subjects in the existing programs by teaching groups of subjects together in their natural and inevitable relations. For example, arithmetic, algebra, and geometry should be taught together from beginning to end, each subject illustrating and illuminating the other two. A great gain in the time consumed and in the interest of the pupils will be made by teaching the elements of government, economics, and sociology together, and the elements of history, biography, geography, and travel together. So in the later years of the total course it would be advantageous to deal with chemistry, physics, biology, and geology because these subjects are generally found intimately associated in most natural processes of growth, decay, creation, or extinction, and may be wisely separated only for advanced pupils who need to see how theories, guesses, and imaginings have proved useful guides in experimentation and research. The wise maker of school programs will henceforth reduce class work and the size of classes, and increase individual work. He will also discourage uniformity and increase variety in the instruction given to the utmost limit of his budget, and will make as frequent as possible the sortings, shiftings, and promotions among the pupils. The worst thing a teacher can do for the group of pupils committed to her charge is to try to keep them together in their attainments or their progress, holding back the bright pupils and pushing on the dull.

It is obvious that it will cost more to carry into effect

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the new methods of instruction in the new subjects than the American public have been accustomed heretofore to spend on their schools. The buildings must be more carefully heated and ventilated, because the pupils are to spend more hours a day in them. The equipment of the laboratories and the shops required for the scientific subjects will be costly, both at the first outlay and in the maintenance. The supply of materials for the shops, laboratories, gardens, and greenhouses will be a new and no inconsiderable charge on the annual budget of the schools. And a new sort of teacher will be required — a teacher better trained herself in the arts and sciences, and herself brought up to see, record, remember, and describe accurately. . . .

NECESSITY FOR PHYSICAL TRAINING

When the results were published of the physical examinations of the men drafted for the army and navy, the whole American public was much disappointed at the large percentage of rejections. Men in large numbers proved to have physical defects which incapacited them for the work of either a soldier or a sailor. When the accepted men were brought together in camp a large proportion of them seemed deficient in muscular power, and the majority of them seemed never to have been trained to a good carriage of the body or a vigorous and graceful bearing. It took weeks and months in the training camps to produce in many of the recruits an adequate muscular development and an erect carriage. These good physical qualities are not only desirable and even necessary in a soldier or a sailor, but they are equally desirable for all indus-

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trial workers and, indeed, for the entire people. If every American child, boy or girl, receives an adequate course of physical training while at school, the industrial efficiency of the nation will be greatly increased in the normal times of peace; and if war came again, the necessary military training would be made shorter than it was in 1917 and 1918, because it could assume that a good training of the muscles and a thorough setting-up drill had already been accomplished. To secure for every child in the country a complete course of physical training is a great national object for war times and in peace times alike, and such a course should be planned and enforced by national authorities, and part of the expense of the course should be borne by the national Government. The Swiss Federal Council prescribes a program of physical training for every school in Switzerland, and appoints and pays the national inspectors who see that this program is carried out. The Federation also makes a small contribution to the cost of this physical training throughout the republic. The Congress of the United States should immediately provide for some national aid to the States and municipalities in putting into force in all schools a course of physical training planned and watched by the national Government. When a proper course of physical training has been in operation all over the United States for ten years, the productiveness of the national industries will show a great increase. . . .

SOMETHING ELSE THE WAR BROUGHT TO LIGHT

When the Pilgrim Fathers first planted their settlement at Plymouth they took it for granted that every

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able-bodied man was to bear arms in defense of the community. The Puritan Colony of Massachusetts Bay made the same assumption; and both these pioneering communities relied for many years on a militia to which every able-bodied man belonged as a matter of course. In the adventurous Puritan settlements on the border, the men carried their guns with them into the fields where they worked and to church on Sundays. Every able-bodied man felt that he might at any time encounter wounds and death in defense of his home and his village. Military service from him was the country's due.

In recent American generations this sense of personal individual duty to the country has been lost; and it has taken a great war in defense of human liberty to reëstablish it. Now, it is for the schools and colleges of the country to maintain this sense of obligation in all the generations to come by direct and positive teachings and by coöperating with the family and church in training boys and girls and young men and women to render gladly free, unpaid service in their homes, to the neighbors and friends whom they can help, and to the stranger within their gates. Every secondary school should give concrete and well-illustrated instruction in all the coöperative enterprises in which young people can take part for the benefit of the community, and in all the protective and helpful services which young citizens can render. The altruistic sentiments and services should be set before the pupils, and should be exemplified in the lives of their teachers, parents, and natural leaders. The influence of all teachers and parents should be steadily exerted to diminish the

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selfishness and self-reference which often accompany thoughtless childhood, and to develop as early as possible good-will and serviceableness toward others and consideration for the needs of others.

VALUE OF COÖPERATIVE DISCIPLINE

It should be made a special object in all schools to develop among the children and youth what is called in sports "team play"; to impress all the pupils with the high value of coöperative discipline, that is, of the discipline imposed with the consent of the subjects of discipline in order to increase the efficiency of the group, and therefore the satisfaction of every member in his own contribution. This content in a strict discipline which he has a share in planning and imposing is to-day the chief need of all workmen in industries which require punctuality, order, system, and a common purpose to be efficient on the part of all concerned. . . .

In modern warfare a soldier's work in an active army depends for its success chiefly upon the soldier's skill and satisfaction in action guided and determined by strict, coöperative discipline. The same is true in almost all the large national industries. Success in them involves the general submission of all participants to a strict, coöperative discipline. This discipline does not much resemble the old-fashioned, automatic, unthinking obedience, which was long the ideal in military and industrial organization. It requires the voluntary coöperation of intelligent, free individuals whose wills consent to the discipline for an object which seems good to them and in a method which they think reasonable

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and appropriate. All schools and colleges should systematically provide much practice in this kind of discipline.

II

Education after the War

By NICHOLAS M. BUTLER

President of Columbia University

The war has distinctly helped us. It has killed other things than human beings, and it has burnt up other things than towns, libraries, and churches. It has laid to rest some rather widespread illusions, and it has burnt up many sources and causes of intellectual, moral, and social waste. It has shortened by many years, perhaps by a generation, the path of progress to clearer, sounder, and more constructive thinking as to education, its processes, and its aims, than that which has occupied the center of the stage for some dozen years past.

We have been living in an era of reaction that has masqueraded as progress, and we have been witnessing energetic acts of destruction whose agents sang the songs and spoke the language of those who build. Part of what we have been living through and putting up with as best we could has been due to a false psychology and part to a crude economics. The moral and spiritual values have been ground between the upper and nether millstones of a psychology without a soul and an economics with no vision beyond material gain.

According to this newest philosophy, no such admirable virtue as thrift, for example, could be taught, but only the saving of ten-cent pieces or of dollar bills, or

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possibly of Liberty Bonds, as separate arts or vocations. Industry, honesty, loyalty, charity, and truthfulness have been ingenuously referred to as vague notions or catchwords that are very apt to delude the unwary — the unwary being probably the unselfish. A sense of humor or a flash of common sense, had either been present, might have saved us from being obliged to listen to all this and to contemplate the ideal world as made up of highly competent apple polishers and pencil sharpeners early trained to their engrossing tasks, and vocationally guided to be loyal and charitable to themselves alone.

WHAT WAR HAS DONE

¶ What a sense of humor or a flash of common sense did not intervene to accomplish the war has done. At a critical moment for the history of education in the United States the German people found occasion to reveal themselves to an astonished world as the apostles and representatives of just this type of philosophy of education and of life. Psychology without a soul has been a favorite German industry for a long time, and organization for material gain has been the ruling thought of the German people for quite thirty years. On this form of psychology and on this form of economics as a foundation the Germans erected their superstructure of military autocracy, of insolent aggression, and of lust for world domination. With these they instantly challenged the rest of the world to combat for its mastery.

For months, even for years, the issue hung uncertainly in the balance; but at last the nations that had not surrendered their souls, the nations that had not cast

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aside their moral and spiritual ideals to bow down before the idol of material gain, the nations that had not put efficiency above freedom, brought down this proud and boasting Teutonic structure in the dust. Nothing in history that aimed so high has ever fallen so low, and the effect upon the world's education ought to be, must be, instant and overwhelming. We ought now to be spared, at least for a time, the vexing spectacle of men in places of authority in education and in letters who spend their time standing in front of the convex mirror of egotism thinking that what they see reflected in it is a real world and their own exact relation to it.

The war has taught the lesson that the proper place of efficiency is as the servant of a moral ideal, and that efficiency apart from a moral ideal is an evil and wicked instrument which in the end can accomplish only disaster. Belgium and Serbia, measured by Teutonic standards, were inefficient; France was not only inefficient but decadent; Great Britain was not only inefficient but on the point of disruption; and America was not only inefficient but hopelessly given over to pleasure and to gain. True it is that no one of these nations had kept its ideals as clear and as sharply defined as it should have done; but the ideals were there none the less. Therefore it was that when the attack was made these ideals sprang from their hiding places and took command of the apparently unorganized and inefficient nations. Meanwhile, organized efficiency, immoral and brutal, was hammering at their doors. The free nations held the enemy until their ideals could call their own efficiency and power of organization into play as servants, and when that had been accomplished the

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end was in sight. That end has now come with a suddenness and a completeness that no one would have dared foretell.

ETHICS, ECONOMICS, POLITICS

Regarding man in his capacity as a self-directing individual, there are three fundamental aspects of civilization that have continuing and permanent significance. These fundamental aspects are ethics, the doctrine of conduct and service; economics, the doctrine of gainful occupation; and politics, the doctrine of reconciliation between the two and of living together in harmony and helpfulness.

These are the three subjects which must lie at the heart of an effective education which has learned the lessons of the war. Literature, history, and philosophy will continue to preside over them all, and to offer the largest and most inviting opportunity for the rarest and best-furnished spirits unforgettably to serve their kind. One Shakespeare, one Gibbon, one Aristotle, are worth a thousand years of human waiting and human travail.

The doctrine of conduct and service will include the study of both personal and social ideals, as well as the discipline and the precepts that will promote their accomplishment. The doctrine of conduct cannot be one of selfishness, of greed, or of exploitation if it be constantly combined with the doctrine of service. Those very qualities and characteristics which we have lately been told cannot be inculcated, such as loyalty, charity, truthfulness, are to be unceasingly enjoined, taught, and exemplified.

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The doctrine of gainful occupation will include both the means and the end of activity for self-support and self-dependence. It will, when a stage of adequate maturity is reached, add to the general knowledge and general discipline of the individual that special knowledge and special discipline which will enable him to relate himself to the productive activity of the world at some specific and useful point in some definite and useful way.

The doctrine of reconciliation between ethics and economics will include the study of how men have attempted to find ways and means of living together in harmony and helpfulness, how far they have succeeded, in what respects and to what extent they have failed, and how they may carry forward the great experiment in their own time to still more fortunate results by making ethics, economics, and politics not three distinct and mutually exclusive or contradictory disciplines, but rather three aspects of one and the same discipline, which is that of human life, its highest achievement, and its ripest fruit.

The care and protection of the public health will hereafter assume new importance. Preventive medicine, which has made great strides in recent years, is only at the beginning of its history. The physician and the nurse will shortly be looked upon as educational factors quite as important as the teacher himself. Care for the public health will not content itself with the mere inspection of children and youth in school and college, or with the care and cure of definite disease. It will establish a relationship between home conditions, school conditions, and work conditions. It will have helpful advice to give, both general and specific, as

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to diet and exercise, and it will insist that neither at home, in school, nor at work shall children and adolescent youth be subjected to conditions that impair their bodies as well as starve their souls.

TO PREVENT WASTED EFFORT

There will be much more attention paid to the determination of individual differences of taste and capacity, and to making provision for them. The object of this determination is to prevent waste of effort, the loss of opportunity, and the blunting of talent by trying to sharpen it upon the wrong whetstone.

We have succeeded in training some eminent chemists, physicists, and biologists, but we have not made chemistry, physics, and biology part of the mental furniture of persons who are called educated, largely because we have insisted upon going the wrong way about it. The popular American textbooks in chemistry and in physics are almost without exception examples of how those subjects should not be taught, while the popular textbooks in biological subjects are only a little better. The best textbooks in geology and astronomy are more wisely made. The teachers of all these sciences have almost uniformly proceeded as if every student who came under their influence was to become a specialist in their particular science.

Substantially the same thing may be said about instruction in foreign language. Greek and Latin have been in large degree asphyxiated by wholly wrong-headed methods of teaching, and French and German are a sad spectacle to look upon. Intelligent youths who have spent three, four, and five years in the study

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of one or both of these languages can neither speak them easily nor understand them readily nor write them correctly. Here, too, as in the case of the natural sciences, the reason is to be found in wrong methods of teaching. It is a sorry commentary as to what is going on in our secondary schools and colleges in this respect to learn on the best authority that there are now in France at least 200,000 American young men, who, after six months of military activity in France and three or four hours of instruction a week in the French language, can carry on a comfortable conversation under ordinary conditions and circumstances with the mastery of a vocabulary of at least a thousand words. On the other hand many an American college graduate who has studied French for years is as awkward and as nonplused in a Paris drawing room as he would be in the driver's seat of an airplane.

For nearly a generation past American education has laid the greatest emphasis upon the study of the English language and literature, and this is as it should be. In one important respect, however, damage has been and is being done, and again the cause is to be found in a wrong method of teaching. The idea is prevalent that the way to improve the written English of students is to compel them to write constantly and on all sorts of topics. This is a fallacy. The way in which to teach students to write good English is to teach them to read good English.

THE ELEMENTARY SCHOOL

The responsibilities of citizenship increase day by day and have been multiplied by the effects and results

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of the war. There is double need, therefore, of training the youth of to-day who are to be the men and women of to-morrow, in the fundamental principles of good citizenship and in a knowledge of those rights, duties, and opportunities, national and international, which constitute the elements of the world's organized life. How many members of Congress there may be, what their terms and what their compensation, are facts of slight importance compared with an understanding of the reasons for the existence of a Congress, of its powers and duties, and of the ways in which and the purposes for which its functions have been fulfilled for 140 years.

The elementary school must be brought back to its proper business, neglect of which has been general and much remarked for years past. The elementary school, being well organized and universal, has been seized upon by faddists and enthusiasts of every type as an instrumentality not for better education but for accomplishing their own particular ends. It may be necessary one of these days to organize a society for the protection of the elementary school in order that that indispensable institution may have an opportunity to mind its own proper business.

Vigorous steps must be taken promptly to make the teaching profession more attractive to men of high competence and ambition. Not only must the wages of teachers be very greatly increased, but the prizes of the profession, those conspicuous, influential, and well-paid posts that are freely open to talent, must be multiplied, both in number and in importance. The ambitious and high-spirited man will be drawn to edu-

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cation as a career and held in it so soon as he finds that it offers him an opportunity for reputation and for usefulness that is commensurate with his ambition and his capacity.

One's imagination hesitates to attempt to measure the capacity of one hundred millions of thoroughly well-educated, well-trained, and well-disciplined American men and women. Yet nothing short of this should be the aim of American educational policy. That policy will succeed if it remains steadfast in its republican faith and if it continues to prefer the solid foundation and noble ideals of the old republic to the endowed and prolix fatuities of the new republic.

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CHAPTER XVIII

MILITARY TRAINING AND PREPAREDNESS

I

Is a Permanent Military Machine Necessary—or Compatible with Democracy?

By Senator GEORGE EARL CHAMBERLAIN

Nations are only the composite reflection of human beings. They cannot be much if any superior to the individuals that animate and give them life. And nations will not approach perfection in thought or action until at least a majority of human beings in all nations are perfect. It is idle to imagine all the imperfections of human nature being uprooted or destroyed during war, no matter how long or violent it may be. In fact, if war were capable of such a phenomenal purifying process, we would be compelled to exalt the science of killing above the tenets of religion and all the other moral forces that have worked peacefully for the uplift of mankind. For myself, I can pay to war no such tribute.

Until you can eradicate from the individual human heart the evils of greed and selfishness and the desire to get something that belongs to some one else, you cannot eradicate from the hearts of nations the same desire that lurks in the hearts of men in dealing with others.

So long as men are greedy nations will be greedy. So long as men are unjust nations will be unjust. So

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long as men seek what is not theirs nations will hunger for conquests. . . .

Thus if I am asked if we will have to adopt measures of permanent military preparedness my answer is positively in the affirmative.

OUR AFTER THE WAR MILITARY ESTABLISHMENT

But if I am asked whether we shall have to maintain a large standing army of professional fighters or adopt any measures partaking inherently of militarism, or measures differing essentially from the policies of the nation as fixed by its founders, my answer must be a positive negative.

That we shall have to have an army as we shall have to have a navy there isn't the slightest doubt in my mind. But I do not believe we shall need to maintain a much, if any, larger standing army than we had before the war. This does not mean that we will not have to keep better prepared for war; for in reality we were scarcely prepared for war at all.

The preparedness for war we shall have to undertake in future will bear little comparison with the futile undertakings along that line in years past. For we have learned by bitter experience that modern warfare is no simple science. War was formerly a matter of human combat; to-day it is one of absolute destruction, not only of men but of everything within its zone of action.

It may be argued that the employment of such fearfully destructive instruments as are now being used will in future be prevented. Such can be done only by preventing war itself. We have seen what happened to

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prior agreements entered into with all solemnity regarding the conduct of so-called civilized warfare. Our very participation in the struggle illustrates the flimsy texture of such arrangements. No war in all time was preceded by fuller or more humane understandings for the observance of measures of amelioration. And in none other, since savage hordes overran countries only to satisfy primordial lust for destruction, has the harshness of conflict been softened by fewer measures of amelioration. Even those gallantries and courtesies which the customs of centuries were believed to have rendered sacred, such as are covered by the white flag of truce, like the burying of the dead and the gathering up of the wounded, have been utterly ignored.

By what reason can we assume that prior agreements and understandings as to the conduct of warfare in future can be trusted absolutely? And if not as to the conduct of warfare, how can we trust implicitly to those aiming at ending warfare itself?

We can only assume that agreements and arrangements will be trustworthy largely in degree that there exist adequate measures for enforcing them.

GREAT NUMBERS OF FUTURE POTENTIAL FIGHTERS NECESSARY

Those measures must consist of something more than an adequate supply of men willing, on need, to fight. Though armament figures in warfare as it never did before, the importance of the man was never before so great.

War is and will continue to be essentially a matter of men. Whatever we do to safeguard the future must

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be predicated on men, not on great numbers of men who are potential fighters, but on great numbers of men already trained and schooled in the fighting art.

Hence our future policies of preparedness must be laid on the foundation of obligatory military service energized and applied by universal military training.

It is the only way we can avoid maintaining a large standing or professional army and perhaps the only way we can safely avoid the evils of militarism.

Universal military training does not mean or threaten the danger of militarism, which, conversely, does not mean preparedness. Some of the most militaristic of nations have proved on test ill prepared for war. . . .

While militarism, that is, the complete subjection of civil organization to the military, may encourage war, the lesson of history is that true preparedness tends to discourage and prevent war.

Who would assert there is any touch of militarism in the ultra-democratic government of Switzerland? And that oldest of republics has maintained its neutrality in the present war, as has been clearly proven, through its splendid state of preparedness based on the principle of obligatory military service and the long practice of universal military training.

Likewise no one ever thinks of the governments of Australia or New Zealand being militaristic, though both employ universal military training.

MILITARY TRAINING NOT CONTRARY TO DEMOCRACY

The practice of the afore-mentioned almost model democracies amply shows that there is nothing contradicting democracy, or threatening its tenets, in the

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principle that every man, rather than a selected and preferred few, should bear equally the obligation of fighting, when necessary for one's country, or in expecting every man to be prepared to take part in the country's defense.

Those who assert that the principle of universal service and universal military training controvert the peculiar ideals and traditions of our own nation are little informed on the advocacies of the founders of the nation or the policies actually enacted into law by them.

You can find among the state papers at Washington a copy of a report made by our first Secretary of War to our first President urging the adoption of universal military training as a national policy. That Secretary was General Henry Knox, one of Washington's generals in the Revolution, and the President was George Washington, who submitted the report with an approval of its recommendations to the Senate of the United States.

It is interesting to note that General Knox's plan for amassing and training, in peace times, the fighting forces of the country, was practically the same as the one we have followed in the present war. In some respects, the Knox plan was more radical. It called for the enrollment of all men between 18 and 60 years old. Military training was to begin at 18 years, and, in the cases of actual mariners and seamen, at 16 years. Those between 18 and 21 were to be the "advance corps" of the forces and subject to first call in case of war. Those between 21 and 45 were to be the "main corps," while those between 45 and 60 alone were to be classed as a "reserve corps." The plan called not only for enroll-

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ment and muster but also for annual periods of training, the length of which shortened as the men grew older.

OUR STATESMEN OF THE PAST FAVORED MILITARY TRAINING

The views of Washington, Madison, Hamilton, and even Jefferson, favoring what amounted to universal military training, are so well known that they need not be quoted here.

But the question as to national policy has been settled by the exigencies of the present war; yet it is pleasing to know that it has not been settled contrary to the principles accepted and at least nominally applied during the formative period of the nation's career.

If a military arm will still be needed — and of that I don't think any reasonable man has any doubt — we are going to provide for it as we have made up our armies now in the field by requiring every man to do his part. Universal military training will obviate the necessity for a large standing army and its consequent threat of militarism.

By giving our boys on or before their reaching 18 or 19 years old six to nine months' intensive military training, thus turning out annually, without interfering with the normal operations of peace times, a half million or more men prepared for service, it will be necessary to maintain only enough standing troops to garrison our foreign possessions, man our fortifications, and preserve our arms. In my opinion a standing army of 75,000 may be sufficient.

As for the details of applying universal military training, there can be no difference of opinion and I am wedded to no particular plan or plans. The scheme can

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be adjusted to our educational methods, as most of the colleges already are adjusting it, so that training can be made concurrent with schooling.

However, the training must be under the sole direction of the Federal government.

STATE MILITIA NECESSARY FOR POLICE PURPOSES

The State militia or national guard should as far as possible be separated from the national military establishment. In my opinion the national government should withdraw support given State troops, of course allowing the States the right, as they have under the Constitution, to maintain organized militia, for constabulary or supplementary police purposes.

That universal military training will be well worth while, though no other war shall ever occur, is proven by facts coming out of our recent experiences.

Only two years ago, in a letter to a member of Congress, Samuel Gompers, President of the American Federation of Labor, wrote:

> "There are many indications that there has been a decrease in the virility of our nation during the past decade. Whatever the cause of this decrease in the physical power and resistance, it is a matter of grave concern to all.
>
> "Agencies that will build up our citizens physically must be a part of our social organization. Nor is this of concern from the military standpoint alone or purely as a problem of national defense. The effects of better health and increased vigor among our citizens will be plainly shown in increased efficiency in all activities of life."

Similar statements have been made by many others equally as authoritative as Mr. Gompers.

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That adequate military training will check the tendency toward decreased virility is now not only claimed but proven by actual experience.

THE EFFECT OF TRAINING UPON OUR YOUNG MEN

It may astonish many people to learn that 400 out of every 1000 of the millions of men who have been examined for the army were found to be suffering from some preventable disease, which was sapping constitutions, threatening general health, and worse still, carrying a most baneful foreboding to posterity. Such as were taken into the army have largely been cured, and the outcropping of such diseases — once the scourge of armies — has been, through wise measures of education, control, and attention, reduced to almost negligibility.

The value to the youth of the country and to posterity which universal military training would be in that one direction would be worth the cost, particularly so if registrants were required to assemble and be reëxamined annually.

What it may accomplish in the way of generally improved health is shown by the health figures of our present camps and cantonments. Disease has been reduced far below the normal for civil life and the death rate from disease likewise has been cut into something like one-half for men of the ages of those in the service.

Not long ago General John J. Pershing said:

"It would be difficult to imagine any discipline that would be of greater value, not only to the individual but also to the industrial, political, and military future of this country, than to provide for the 1,000,000 men reaching 18 years of age each year five or six months consecutive military training, under such

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intensive system as that followed in the conduct of our summer encampments for citizens. . . .

"Every one should know, except those who will not see, that the surest way to avoid militarism, if such a thing were at all possible under our democratic institutions, is to give every man military training.

"With military training every young man would learn that he owes his country the duty of preparing himself to defend her rights if called on to do so. The instruction would strongly impress upon him his military obligation to the government. Service for one's country cannot be measured by the mercenary standard of wages, but it ought to be given and accepted as the antecedent price of suffrage and for the mutual benefit of both the government and the citizen."

Under the stress and impetus of work our country has made many great forward steps. Let us take care to see that the conclusion of war be made no excuse for steps backward.

II

Colleges Should Continue Military Training

By ELMER ELLSWORTH BROWN

Chancellor of New York University

When the universities and colleges of America go back to a complete peace basis they will owe it to their country and to themselves to see that the experience gained in war shall be made fruitful.

It was a remarkable piece of good fortune that America was able to send effective officers to the front in the campaign in France. Had there been any deficiency in this respect, the extraordinary success attained in quickly adapting an army composed chiefly

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of raw troops to the task of driving ahead in an arduous campaign side by side with European veterans of four years and against such veterans would have been impossible. We all know that this result was reached in the main by taking men of collegiate training and rushing them through an intensive course of military instruction at camps under the guidance of officers of the regular army, supplemented by instruction supplied by allied officers who had been through the ordeals and perplexities of actual warfare.

We must exercise foresight as regards any possible future situations of this kind. It would be a national service to provide a moderate amount of compulsory military training in universities, colleges, and technical schools. In New York University we are considering the introduction of the Reserve Officers' Training Corps, to succeed the S. A. T. C., with a fair probability that such a corps will be organized at University Heights. It is a question, however, whether such a corps can be made successful in time of peace, unless membership be made compulsory, as in the military units of the land grant colleges. With us, any arrangement of this kind will be the natural complement of the Slater law, in the State of New York, which makes such training obligatory for boys up to and including 18 years of age.

VALUE OF THE TRAINING

The value of this training as given in State universities and agricultural and mechanical colleges since the Civil War has been emphasized so that none can mistake it. Of the officers now in service, a good proportion is composed of graduates of these schools, who had had

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two years or more of military training while pursuing their studies.

Their training has been good for them in many ways. It has set them up physically, has given them command of themselves, and has implanted the idea of military discipline.

The Students' Army Training Corps system has left with us a certain inspiration. It has emphasized especially two things: first, a sense of rigorous discipline; and, secondly, an ideal of service to the country, even to the sacrifice of life, the sense that no man liveth to himself.

DISCIPLINE THE VITAL GAIN

The mechanics of military drill have been only a small part of the national benefit which we have gained from this system. The vital gain, it seems to me, is in the discipline of character, which underlies all else.

What we had under the Students' Army Training Corps system was not an academic life with a military element added, but military life with academic elements added. When we return to the normal situation in the universities and colleges, academic life will be the principal thing, with military life incidental.

In the next few years, while the affairs of the world are gradually settling themselves, it is obvious that military training will be of serious value. If we come to permanent peace later it must be a regulated peace, and there will still be a certain use for armies and navies. . . .

In looking forward to providing officers for such an army, we must bear in mind that West Point can supply

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only a leaven for the mass of them. The others must come from our universities, colleges, and technical schools, and they must be able to meet the rigorous scientific requirements of modern war as we have seen them exemplified in the last four years and more.

Writing on the same subject, Harvard's President, A. Lawrence Lowell, says that the results shown by the Students' Army Training Corps, "defective and incomplete as that experiment has been, seem to confirm the opinion that drill had better be separated from academic study and taught in summer camps.

"Moreover, the war has shown the need of a broader preparation for modern war than most of our officers received. There seems to be no doubt that our losses in battle were much larger than they need have been if the officers had been more familiar with the conditions they were called upon to meet.

"A similar plan might be adopted for the navy, the students being taught the necessary mathematics, physics, astronomy, and navigation in college and learning the seamanship and drill during the summer at naval stations and afloat. So long as there is no universal compulsory service, military studies at most of the colleges must be voluntary, but the summer camps would present strong attractions to the students and might go far to solve the problem of long vacations spent by far too many men."

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III

Military Preparedness the Best Guarantee of Peace

By Ex-Senator GEORGE SUTHERLAND

Of Utah

We have been in the habit of expressing our hopes by saying that this was a war to end war; and there are some who have convinced themselves that, it having been won by the Allied nations, the world will enter upon an era of everlasting peace. The causes of war among nations and peoples lie very deep in the nature of mankind — far deeper than arguments or land hunger or kings or capitalists or forms of government. Like the impulses to sin they are protean, but unlike these they frequently spring from sentiments of the most sacredly justifying character. Man is a fighting animal, and in the last analysis, in response to emotion stronger than himself, will fight for the things he holds dear. The fighting spirit is one which it is to be hoped we shall never lose, for directed along right channels it is as necessary as the spirit of peace. It is not enough for a nation to desire justice; it must have the will and, when needed, the power to enforce it.

Preparedness for national defense is not confined to military preparation alone, though obviously that is a matter of chief importance for which there is no substitute. In addition, however, there is need of that intellectual and spiritual training which will bring to the individual a clear comprehension of the nature and quality of our institutions and an abiding sense of the importance of their protection against destructive or

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deteriorating assaults on the part of enemies from without or from within our borders.

NEW SPIRIT OF NATIONALISM

It is highly desirable that we should keep alive the new spirit of nationalism, which has been born of the war, and which is fast fusing the heterogeneous groups of German-Americans and Irish-Americans and other hyphenated tribal collections into a homogeneous body of American citizens who are for the first time beginning to realize their essential unity. If no other benefit should result from the deadly struggle, the firm establishment of this new spirit of national concord would justify every sacrifice we have made, or might have been called upon to make, however terrible, for it is certain that only thus have we been brought to an understanding of, and a deliverance from, the sinister peril of a divided allegiance which threatened our very existence as a separate and independent people.

That form of internationalism which teaches that the stranger beyond our gates should be the object of our solicitude equally with the loved, mutually helpful members of our own household is not sound sentiment but maudlin sentimentality. The form of internationalism in which I believe is that of cordial coöperation among nations for the welfare and betterment of the people of all lands but which will always look first to the welfare and betterment of our own.

FIRST REQUISITE

The first requisite of military preparedness is an adequate navy. While it is true that the absence

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of an adequate English army probably precipitated the war, and undoubtedly prolonged it, it is no less true that only the strength and readiness of the British navy prevented the war from resulting in the subjugation of Europe. For three years it was literally true that the battleships of Great Britain stood between the democratic world, ourselves included, and supreme disaster. That risk we must never incur again. With rich and vulnerable coasts fronting on the two oceans, easily open to attack or invasion, it is little short of criminal folly to leave them without the most adequate protection. The navy as the first line of defense should be maintained at such a degree of power and efficiency as to furnish a fleet for the Atlantic and a fleet for the Pacific, each sufficiently powerful to afford protection against attack without the aid of the other; for we must not be unprepared for the contingency of a combination of European and Asiatic Powers against us. The bitter lesson of this war is that military strength cannot be improvised.

We must strengthen the coast fortifications we already have at critical points and construct others wherever needed, and maintain them all at the highest level of efficiency with guns which in range and power keep pace with the latest and best expressions of military science. The personnel of the coast artillery until recently has been shamefully and dangerously below the most meager limit of necessity, a situation the existence of which we cannot afford to permit again; for it is useless to have guns, however perfect, without expert gunners to use them. The coast artilleryman has a greater degree of technical training than any other

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man in the military service. It has been of such character that in case of need he may serve with the field artillery, the machine guns, or the infantry; or in any service where a working knowledge of electric appliances may be needed. There is no danger of having an over supply of those highly efficient men.

A large professional army is not desirable for several reasons, among them that it takes too many men from the productive employments and is a heavy burden of expense. It will be sufficient for us to provide for and maintain on a peace footing a regular army of from 300,000 to 500,000 men, fully equipped with the latest and best military appliances and trained and kept trained to the highest point of modern efficiency.

UNIVERSAL COMPULSORY TRAINING

Such an army, however, is only a vanguard and will prove altogether insufficient for our needs in any defensive warfare we are likely to be called upon to wage — and it is greatly to be hoped that occasion for any other kind will not arise — for it is clear that only a very strong military Power, or combination of Powers, will ever assume the risk of attacking us. But a rich nation like ourselves, ambitious for commercial expansions, will inevitably run counter to the ambitions of other people and invite animosities which may easily develop into acts of aggression unless it be known that we are prepared to overcome force with greater force. To that end we should adopt and hereafter maintain a thorough-going system of universal compulsory military training. We should begin with our boys when they reach the age of fourteen years by imposing as part of

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their regular school work such physical training as will develop their strength — together with a ready ability to use it — their courage, self-reliance, and power of initiative. An admirable foundation upon which to build this system is that afforded by the principles of the Boy Scout movement. When these boys reach the age of seventeen years their military training should begin and continue intensively for a period of three years. Either the Swiss or the Australian system may be profitably adopted and under either system not more than an average of two months each year need be taken for this purpose. This will not interfere with the education of the young men nor their usefulness in the ordinary pursuits of life. The result will be that in a few years we shall have a potential military force of many millions who can be mobilized and made ready for active service in a few weeks.

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CHAPTER XIX

PROBLEM OF AMERICANIZATION

I

THE NEED OF A DEFINITE PROGRAM OF AMERICANIZATION OF OUR FOREIGN-BORN PEOPLES

BY HON. FRANKLIN K. LANE

Secretary of the Interior

THE war with its recurring crises in all phases of our national life has thrown into pronounced relief the vital and pressing need for the inauguration of a definite and comprehensive program for the assimilation or Americanization of our foreign-born peoples. In answer to this need the Department of the Interior has established an Americanization Division in the Bureau of Education.

AMERICA'S CHALLENGE

America threw the world into a daring maze of possibilities by its entrance into this war upon lines more idealistic than any other national venture in history. And in doing this we challenged the world to a contest for supremacy, not upon the field of battle, but in the much larger field of intellectual, moral, and social leadership.

The world has taken us at our word. We said that the institutions which we enjoyed were those which the world should enjoy, for they were based upon rights

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inherent in man. We announced ourselves as coming to the rescue of imperiled democracies, and as the war progressed we came to the point where we would discuss peace only with those whose government, like our own, came from the people. Beaten upon land and frustrated upon sea, those sole surviving autocracies with which we fought broke into fragments before the mandate of an idea, and the map of Europe changed more in a few days than it had changed in centuries. The aggregating process which had gone on throughout many hundreds of years, and which had been deemed essential to national self-protection, was not only stayed but set at naught, and nations fell into pieces like a child's picture puzzle, to be replaced in the general picture along lines of racial desire and a common culture. This is an unprecedented thing in history. Enemy nations came to an "about face," professing themselves converts to the new faith, willing pupils in a new school. Thus out of an international struggle which we entered upon unwillingly we find ourselves emerging with a greater burden of national responsibility and a larger sense of the meaning of America — America as a leader in a world of democracies, if not a world democracy.

NEW RESPONSIBILITIES

What change in national policies is involved in this world change? Who are these reborn racial groups who now come forward to their places at the family table? What is our duty toward them and upon what are they to live? What economic independence is essential to national existence? To what extent are

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we trustees for other peoples? What national purposes have we that should be made secure by international pact or union? Such questions go deep into problems to which even the ripest statesmen have in the past given little thought, and how much less the great body of the people. Yet now it is the duty of the American citizen to know of these things; to talk of them, as a process of whipping his own chaotic notions into shape; to project himself into a world where all horizons are new. While yet we may hardly be said to have learned to think nationally, we are compelled to give serious concern to the affairs of people of whom we had not heard four years ago. Most removed and isolated of all nations, living on and to ourselves, America has over night moved into the center of the world's stage and become subject to every scrutinizing and critical eye. This is a test for all that we have of dignity and wisdom.

WE MUST MEET THE TEST

A wholesale challenge has been given as the result of our own idealism — how now may we meet it? Clearly we must set about making ourselves adequate to think in the larger terms of this greater life. Yet we must hold fast to that which makes possible any such broad conception — the ability of men and women to live together under the proved form of our own Government. To think in terms of many democracies or of mankind, we must work in terms of America. For all thought of making good in a greater sphere must be checked, qualified, and limited to prove our capacity by ourselves first of all strong and capable and purposeful

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at home. Our international value depends upon our national strength, unity, and vision. And this in turn must in a democracy rest upon the intelligence, the capabilities, and the character of the individuals who make the Nation.

Our war experience has taught us, among many things, the value of a strong national spirit, the vital importance of national ideals, the impotence of ignorance, the dependence of this modern world upon skilled men and organizing ability, the need for and the possibilities that lie in the extension of coöperative effort of all kinds. Are we making full use of the facilities that we have for the promotion of these ends? Are we making out of America as a growing crop all that might reasonably be expected or that is demanded by our position in the world?

AMERICA IN 1918

The vitality of this question was put strongly to the Nation during the past year in a form that was not altogether agreeable. For the draft revealed the astonishing percentage of those in this country who were unable to speak our language or to read or write any language. Yet, I take it, there is no one thing so supremely essential in a government such as ours, where decisions of such importance must be made by public opinion, as that every man and woman and child shall know one tongue — that each may speak to every other and that all shall be informed.

There can be neither national unity in ideals or in purpose unless there is some common method of communication through which may be conveyed the thought

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of the Nation. All Americans must be taught to read and write and think in one language. This is a primary condition to that growth which all nations expect of us and which we demand of ourselves.

A COMMON LANGUAGE IS ESSENTIAL

What should be said of a world-leading democracy wherein 10 per cent of the adult population cannot read the laws which they are presumed to know?

What should be said of a democracy which sends any army to preach democracy wherein there was drafted out of the first 2,000,000 men a total of 200,000 men who could not read their orders or understand them when delivered, or read the letters sent them from home?

What should be said of a democracy which calls upon its citizens to consider the wisdom of forming a league of nations, of passing judgment upon a code which will insure the freedom of the seas, or of sacrificing the daily stint of wheat or meat for the benefit of the Roumanians or the Jugo-Slavs when 18 per cent of the coming citizens of that democracy do not go to school?

What should be said of a democracy in which one of its sovereign States expends a grand total of $6 per year per child for sustaining its public school system?

What should be said of a democracy which is challenged by the world to prove the superiority of its system of government over those discarded, and yet is compelled to reach many millions of its people through papers printed in some foreign language?

What should be said of a democracy which expends in a year twice as much for chewing gum as for school-

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books, more for automobiles than for all primary and secondary education, and in which the average teacher's salary is less than that of the average day laborer?

What should be said of a democracy which permits tens of thousands of its native-born children to be taught American history in a foreign language — the Declaration of Independence and Lincoln's Gettysburg speech in German and other tongues?

What should be said of a democracy which permits men and women to work in masses where they seldom or never hear a word of English spoken?

Yet, this is all true of the United States of America in this year of grace 1918, wherein was fought the second Battle of the Marne and the Battle of the Argonne Forest.

These figures and facts look discouraging. They seem to present a picture that bodes ill for the Republic. But in reality they present an outlook that is far from disturbing and that is the one cheering thing about such a Government as ours, wherein we can do as we will. And our will to do is never wanting when we see clearly the difficulty and know the way out.

A NATIONAL CONCERN

If once we realize that education is not solely a State matter but a national concern, the way is open. And what argument that could be advanced would be more persuasive that education deserves and must have the consideration of the Central Government than the figures that are given?

If men cannot be converted readily into soldiers but must be held in camp while they receive a primary

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education, surely no one can hold that this is a matter deserving of merely State attention. The Nation's life may not have been imperiled by the presence in the army of a considerable percentage of men who could not be equipped for service promptly, but this is the minor part of the reason why this humiliating condition should not obtain in this country. The greater reason is that we cannot govern ourselves while in ignorance. We cannot have a small portion of our population unable to sense the movement of our times save through the gossip of the corner and altogether unable to check the idle rumor and the slogans of demagogues, without putting at hazard the success of our system of government. And if we lag others will lead. The American must be the exemplar of democracy.

II

Americanization Defined

By RALPH PETERS

Federal Manager in the United States Railroad Administration

Americanization means to convert men and women into first-class citizens, filled with proper regard and respect for our institutions, for our language, our churches, our schools, our courts, our municipal, State, and national forms of government, together with a full appreciation, not only of the rights and privileges of citizenship, but of the obligations and duties of citizenship as guaranteed under the Constitution.

Our gates have been open to all comers, regardless of race or nationality. Time alone has generally been the requirement for citizenship. Consequently we have among us a vast number of citizens who do not know

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or speak our language, who retain the customs and habits of their old countries, who do not care for our laws and our institutions, who continue to show their prejudices against the laws and institutions of their former homes, and feel that it is necessary to attack our laws and our institutions because of that feeling. There are also citizens who seek only our money, and with it claim freedom of speech, licentiousness rather than liberty, without a single obligation to their new country.

INFLUENCE OF THE CHURCH

Their children generally become good citizens through the benign influence of the Church and the public schools. But more than this must be done if we should hope to make real Americans out of them. Prohibit the use of newspapers and magazines published in foreign languages; prohibit the right to vote until every one understands and appreciates the privilege of voting; have compulsory education for both the old and the young until there is a full appreciation of what it means to be an American citizen.

When that is done, there should be a poll tax for all naturalized voters. I feel that if they had to pay for the privilege of voting, they would soon be forced into an appreciation of citizenship and a full development of Americanism.

III

The Smith-Bankhead Americanization Bill

The following astounding facts demand the immediate consideration of the Nation. The war has demonstrated conclusively that large numbers of our foreign-

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born citizens have not been definitely assimilated or Americanized. It also brought forth thousands upon thousands of men, native-born Americans for many generations, who cannot read nor write. Consider the following figures:

Over ten years of age and illiterate (1910)	5,502,351
Unable to speak English	3,089,723
Total	8,592,074

Eight and one half millions of people who cannot read the newspapers or the laws of their country! Millions who cannot speak English!

This is more people than were in the whole United States in 1800.

It is more people than in the entire South in the Civil War.

It is more people than now live in all the following States combined: Nevada, Wyoming, Delaware, Arizona, Idaho, Mississippi, Vermont, Rhode Island, North Dakota, South Dakota, Oregon, Maine, Florida, Connecticut, and Washington.

It is more than all the people of any State in the Union except one.

It is more than the combined populations of greater New York, Philadelphia, and Chicago.

It is more than all the people in all the cities of New York State put together.

It is more than all the people in all the cities of the United States west of the Mississippi River except one.

It is more than all the children of school age in thirty-two States of the Union combined.

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A NATIONAL PROBLEM — ILLITERACY

This is a national problem. The South leads in illiterates. The North leads in non-English speaking. Seventeen and one fourth per cent of the people of the east south central States are illiterate, but 15.8% of the people in Passaic, N. J., cannot read, speak, or write English. Sixteen per cent of the people of the south Atlantic States are illiterate, and so are 13.2% of the people of Lawrence and Fall River, Massachusetts.

To meet this problem Senator Hoke Smith has introduced in the Senate and Honorable William B. Bankhead in the House the Smith-Bankhead Americanization Bill.

This bill provides for the coöperation of the States and Federal Government:

In the education of native illiterates, of persons unable to understand and use the English language and of other resident persons of foreign birth, and

In the education of such persons in the English language, the fundamental principles of government and citizenship, the elements of knowledge pertaining to self-support and home making, and in such other work as will assist in preparing such illiterates and foreign-born persons for successful living and intelligent American citizenship.

It requires compulsory courses in English for all illiterate minors sixteen years of age and over.

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CHAPTER XX

PROHIBITION AND THE PEOPLE

I

The Prohibition Amendment and State Rights

By WILLIAM H. HIRST

Attorney for New York State Brewers' Association

The point of attack on the carrying out of the Federal amendment will be constitutional. There are three main points to be taken up and one or two minor ones:

First, was the method of passing the amendment in the houses of Congress according to the law as given in the Constitution? Two, does the amendment conflict with the police power of the State as laid down in the Constitution? Three, does the amendment violate the Constitution in giving the Federal Government and the State Government concurrent police power?

Not the least important attack will be made on the passing of the amendment on the first point. Article V of the Constitution, dealing with the amending of the Constitution, is as follows:

The Congress, whenever two thirds of both houses shall deem it necessary, shall propose amendments to this Constitution, or, on the application of the Legislatures of two thirds of the several States, shall call a convention for proposing amendments, which, in either

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case, shall be valid to all intents and purposes, as part of this Constitution, when ratified by the Legislatures of three fourths of the several States, or by conventions in three fourths thereof, as the one or the other mode of ratification may be proposed by the Congress; provided that no amendment which may be made prior to the year 1808 shall in any manner affect the first and fourth clauses in the Ninth Section of the First Article; and that no State, without its consent, shall be deprived of equal suffrage in the Senate.

When the amendment went through Congress it was passed by a two thirds vote of the members present, but not by a two thirds vote of all the members of both houses. The contention is made by the men on the other side of the question that this is legal; that in order to make an act of legislation legal all that is demanded is the presence of what is considered a quorum of the members of both houses. I agree with them there. But this is not an act of legislation. This is an amendment to the national document of laws and liberties.

Is or is not an amendment to be considered on the same basis as a law which may be purely temporary and passed as an exigency to meet a situation? It seems to me that the former is a good deal more serious in content and requires exactly what the words of the article demand, "The Congress whenever two thirds of both Houses shall deem it necessary. . . ." The members of the Houses cannot shirk their responsibility in such a case. The matter is of sufficient importance for them to be present and state definitely on which side of the fence they stand. If the amendment had been introduced through the second method of introduction,

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that is, having two thirds of the States make application for it, it would not have been considered sufficient to have only two thirds of those States intensely opposed or intensely in favor of the amendment present the article for Congressional action, omitting those States indifferent to the question. The analogy may seem far-fetched, but it isn't. An amendment controlling the liberties of the people of a nation seems to me to be important enough to require more consideration than this one received.

SCOPE OF POLICE POWER

Now for point two: Does the amendment conflict with the police power as laid down in the Constitution? The amendment, as it stands to-day, reads as follows:

Section 1. — After one year from the ratification of this article, the manufacture, sale, or transportation of intoxicating liquors within, the importation thereof into, or the exportation thereof from the United States and all territory subject to the jurisdiction thereof for beverage purposes is hereby prohibited.

Sec. 2. — The Congress and the several States shall have concurrent power to enforce this article by appropriate legislation.

Sec. 3. — This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the Legislatures of the several States, within seven years from the date of the submission hereof to the States by the Congress.

The right of a State to control its internal affairs and the social life of the people is expressed in Article X of the amendments: "The powers not delegated to the

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United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people." This question of States' rights was of the greatest moment when the Constitution was framed. The article given above assured to the States just that power which the prohibition amendment is taking away. The question came up at the time of the civil war. There was no attempt by President Lincoln to interfere with the jurisdiction or determination of any State on the question of slavery. State sovereignty remained unassailed.

The national prohibition movement is not so conservative. It is not comparable to a combination of States which is opposing the extension of institutions of other States. It is a proposal to force upon all the States the conception of morality and standard of life and personal habits which some States decide shall be uniform throughout the country. Its realization would change the Constitution from a charter of liberty and inviolable rights to one of oppression and denial of rights, and centrifugal force. In no matter are people so apt to pull in different directions and to oppose each other's interference and restrictions as in their social affairs and private habits.

In order to bring past history into the light of present events and thus enable us to form judgments and opinions based upon principle and logic and not hysteria and bias, we must go back into history and look into the genesis of our Federal Constitution. The formation of the American system of government started with the distinct understanding and reaffirmation of fundamental rights, privileges, and immunities which could

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not be taken away, but which remained inviolable in the individual. In order that they might not be lost sight of in the larger compact which had to be formed to establish a Federal system, every gathering or convention which considered that system emphasized the retention to each unit which entered into it of the greatest possible amount of control over the internal affairs of that unit, whether it was a trading post, a colony, or a State. The most vital point brought into the discussion at the Constitutional Convention was the protection of the rights of the State against infringement by the Federal Government.

QUESTION OF CENTRALIZATION

The convention was dominated in its final conclusion by the desire to grant as little as possible to a central legislative Government consistent with the mutual welfare of the States and to protect and uphold the dignity and autonomy of the separate States. Specific powers were delegated to the Federal Government and denied to the States and other specific powers were reserved unequivocally by the States.

Through 130 years of growth and development and of bitter and sometimes bloody controversy over the rights of the Federal Government and the rights of the State Government one great fact has stood out prominently. It is this: In no instance has there been an indication or any claim of the most ardent Federalist of the right of trespass upon or curtailment of the police power, which is especially and exclusively left to the State within its own limits. From the aim of our Government, both National and State, from the theory

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of our Federal Constitution and the intent of its framers, from the motive which inspired the first ten amendments and the interpretation of the fundamental law through more than a century and a quarter, and from the mandates of both the explicit division of rights between the State and Federal sovereignty and the exercise of these rights by the appointed sovereignties, it seems to me that the following conclusions are not beside the mark:

1. The police power does not lie in the twilight zone of doubtful jurisdiction, but is clearly and unquestionably lodged in the separate States and denied to the National Government, and should remain in the States.

2. That the regulation and control of the social habits and private lives of the people within a State fall under and are subject to the police power, and belong to the State absolutely, and cannot be undertaken or interfered with by the National Government in any manner.

3. That there can properly be no jurisdiction in our legislation by Congress with respect to the sale of alcoholic drinks within the States except as a war measure.

4. That any change in our system of government which takes from the States the regulation of the sale of alcoholic drinks would be in violation of the fundamental principles of the Federal Government, and would encroach upon the police power which was one of the rights and prerogatives plainly and indisputably reserved to the States and always exercised by them, and would constitute a dangerous precedent for further absorption by the National Government of powers which essentially go to make up State sovereignty.

5. That each State, by the exercise of its police

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power as amplified by the Webb-Kenyon and Reed acts of Congress, has absolute control of the liquor traffic within its confines and may adopt and effectively enforce any degree of prohibition or restriction over the traffic in liquors from an absolute "bone-dry" law to one of license and regulation. It may make the mere possession of a bottle of beer or wine in one's home a crime, or it may give permission to have it under such restrictions and control as will protect the people of the State and preserve their rights.

6. That the Federal Government has never attempted to, nor should it interfere with the domestic affairs of the States, upon whose individual greatness, strength and sovereignty the power and majesty of their combination depend.

7. That the amendment of the Federal Constitution providing for national prohibition strips the State of a most essential part of its police power and deprives this generation and the ones to follow of the right of ever hereafter having a voice in the regulation and control of the internal affairs and social habits of the people of that State and forfeit to other States of the Union the control and regulation of those affairs and habits.

8. It would constitute an act of *ultra vires* (beyond power of) in so much as it was never intended or dreamed that any combination of States could deprive a State of its sovereignty. President Lincoln said, "No State has a right to secede from the Union without the consent of all the States." In the same manner, no State can be deprived of this sovereignty without the consent of all the States.

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"CONCURRENT" POWERS

Point three deals with the concurrent police power given to the State and Federal Government. The Anti-Saloon League people injected into the amendment the very confusion of power and conflict of jurisdiction which the Federal Constitution studiously sought to avoid. Up to the present time, this has been avoided. This power of concurrent jurisdiction will lead to one of two things — the amendment will either be made meaningless and a mockery, or a conflict of authority will arise in carrying out the excise laws which will be a menace to national unity. Where the Government has proper jurisdiction it derives its authority from powers delegated to it by the States, and its power is exclusive. It necessarily must be.

The attempted delegation of power back to the States, which is involved in this proposal of concurrent jurisdiction, is contrary to constitutional intent and sanction. This clause is not merely the result of accident or mistake, but it is the inevitable and unavoidable situation which must arise when the Federal Government is given cognizance over a matter which is intrinsically one for exclusive jurisdiction. Where there is a deviation from the doctrine of the correct and proper division of sovereignty between the Federal Government and the State Government and a departure from the correct principle of Constitution making, the clash between the two is inevitable, and when that clash happens we discover that an unconstitutional amendment of the Constitution has been attempted. The escape from such a clash lies only in having each sovereignty attend to those matters which come properly within its scope.

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EX-PRESIDENT TAFT'S OPINION

Ex-President Taft expressed himself as follows on this point in discussing the prohibition amendment:

The reaching out of the great central powers to brush the doorsteps of local communities, far removed geographically from Washington, will be irritating in such States and communities, and will be a strain upon the bond of the national Union. It will produce variation in the enforcement of the law. There will be loose administration in spots all over the United States and a politically inclined national Administration will be strongly tempted to acquiesce in such condition. Elections will continuously turn on the rigid or languid execution of the liquor law, as they now do in the prohibition States. The ever present issue will confuse and prevent clear and clean-cut popular decisions on the most important national questions, and the politics of the nation will be demoralized as the politics of States have been through this cause.

The theory that the National Government can enforce any law will yield to stubborn circumstances, and a Federal law will become as much a subject of contempt and ridicule in some parts of the nation as laws of this kind have been in some States. . . .

Another point that might here be mentioned along with the discussion on the constitutionality of the amendment is the one of referendum. Among the States whose Legislatures have voted favorably on the amendment there are some whose constitutions provide for referendum. I believe there are fourteen or fifteen of these. If it can be proved that the vote of the Legislatures in these States is void before it is referred to popular vote,

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then the required number of ratifying States has of course not yet been reached.

The Constitution provides that the amendment is to be submitted to the Legislatures of the States. But what is meant by the Legislatures in those States working under the referendum law? If it means the person chosen to sit in the elected body called the Legislature, then there need be no referendum on the question. That was the only kind of Legislature known at the time the Constitution was adopted in 1787. But if the framers of the Constitution meant by the word Legislature the legislative machinery of the States, then ratification is not complete until in addition to the action of the elected legislators, it is also submitted to the vote of the people and approved by them. There is eminent legal authority for the belief that in States having referendum the amendment must be submitted to the vote of the people before it can be finally disposed of. This undoubtedly is so with respect to Ohio, where the Constitution provides for a referendum on proposed Federal amendments.

NOT AN AMENDMENT

That the national prohibition amendment is in reality not an amendment, but simply a piece of legislation which the States have been asked to concur in under the guise of an amendment, is another point which the lawyers expect to bring out. The amendment, however, cannot be accepted as an act of legislation, because it was not approved by the President and, further, because it is not sanctioned by the present constitutional powers of Congress.

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If it were possible at all under our system of government to transfer the control and regulation of manufacture, sale, and use of liquor to the Federal Government, it could only be accomplished by amending Section 8 of Article I of the Constitution, by adding to the powers already expressly vested in Congress the power to control and regulate or prohibit the manufacture, sale, and use of intoxicating liquors. This would set up a permanent process for dealing with the question, but it would avoid the danger and mischief of setting up a permanent decision. Congress would then have been clothed with the power to deal with the liquor question as public interest and public sentiment might require from time to time. Should that public interest and public sentiment call for a change or modification, it would be within the powers of Congress to make whatever change or modification the prevailing public opinion of the time called for. Under the amendment Congress will be unable to make any change or modification, whatever may be the demands of expediency, justice, or public opinion.

II

Prohibition a Glaring Error

By State Senator HENRY SAGE

In New York Senate

The Assembly having passed the amendment the proponents now expect that this branch of the Legislature will, under the impulse of fear and hysteria, give its seal of approval to one of the most glaring errors ever perpetrated by Congress. Any one who has lived in a State where prohibition has been enforced will admit

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that there has been an increase in the drug habit, and reputable physicians predict that this practice will enlarge and become a menace to our entire citizenry, drugs being much more disastrous physically, mentally, and morally than alcohol.

No great nation has yet tried the experiment. One once considered making the attempt. But it is impossible to tell yet whether the "wets" in Russia have killed all the "drys" or the "drys" have killed all the "wets," or whether there are enough left of each faction to make prohibition a national issue or whether the supply of vodka has given out. All that we know is that Russia is no longer a great nation and that all it contains is two classes — those who kill and those who get killed.

III

"Drys" a Menace to the Republic

By HENRY WATTERSON

Editor Emeritus Louisville Courier-Journal

The Billy Sunday game has made Billy Sunday rich. Having exhausted hell-fire-and-brimstone the evangel turns to the Demon Rum. Satan, with hide and horns, has had his day. Prohibition is now the winning card.

The fanatic is never either very discriminating or very particular. As a rule, for him any taking "ism" will suffice. To-day it happens to be "whisky," so called. To-morrow it will be tobacco. Finally, having established the spy-system and made house-to-house espionage a rule of conventicle, it will become a misdemeanor for a man to kiss his wife.

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From fakers who have cards up their sleeves, not to mention snakes in their boots, we hear a great deal about "the people," pronounced by them as if it were spelled "peepul." It is the unfailing recourse of the professional politician in quest of votes. Yet scarcely any reference or referee were faultier.

The people *en masse* constitute what we call the mob. Mobs have rarely been right — never except when capably led. It was the mob of Jerusalem that did the unoffending Jesus of Nazareth to death. It was the mob in Paris that made the Reign of Terror. From that day to this mobs seldom have been tempted, even had a chance to go wrong, that they have not gone wrong.

The "people" is a fetish. It was the people, misled, who precipitated the South into the madness of secession and the ruin of a hopelessly unequal war of sections. It was the people backing, if not compelling, the Kaiser who committed hari-kari for themselves and their empire in Germany. It is the people leaderless who are now making havoc in Russia. Throughout the length and breadth of Christendom, in all lands and ages, the people when turned loose have raised every inch of hell to the square foot they were able to raise, often upon the slightest pretext or no pretext at all.

MORTAL FALLIBILITY OF MAN

This is merely to note the mortal fallibility of man, most fallible when herded in groups and prone to do in the aggregate what he would hesitate to do when left to himself and his individual accountability.

Under a wise dispensation of power, despotism, we are

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told, embodies the best of all government. The trouble is that despotism is seldom, if ever, wise. It is its nature to be inconsiderate, being essentially selfish, grasping, and tyrannous. As a rule, therefore, revolution — usually of force — has been required to change or reform it.

In fine and in short, ours is a world of sin, disease, and death — perfectibility not designed or intended for mortal man. That indeed furnishes the strongest argument in favor of the immortality of the soul, life on earth, but the ante-chamber of eternal life. It would be a cruel deity that condemned man to the brief and vexed span of human existence with nothing beyond the grave. With intolerance the order of the day, fanaticism in the saddle — the Bolsheviki on the way — no outcry anywhere — shall there not be protest?

COULD DESPOTISM GO FARTHER?

Could despotism, unscrupulous and ignorant, go farther toward the tearing down of the bases on which the free fabric of the American Republic was established? If the men behind it were merely possessed by the obsession that drink is the only menace and that its extirpation will cure all the evils alike of the body corporate and body politic, we might with some hope treat it as a delusion, or a disease. But it is supported by a scheme of aggrandizement as powerful and corrupt as any which has ever appeared in modern affairs. The Anti-Saloon League — a high-sounding name which has no organized rank and file and no direct responsibility — is self-officered by a body of shrewd mercenaries who

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live and thrive by a confidence game played upon the gullibility of the Church, the women and the children; its only ritual the denunciation of the Rum Demon; its single ceremonial the passing of the hat. It is a corporation equally without a charter and without a soul.

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CHAPTER XXI

THE GOVERNMENT'S RECONSTRUCTION PLANS UNDER THE COUNCIL OF NATIONAL DEFENSE

UNDER the U. S. Council of National Defense at Washington, consisting of the Secretaries of War, Navy, Interior, Commerce and Labor, there was built up, during the war, through the coöperation of the Governors of the forty-eight States, a complete defense system. The vast machinery of the Council had its ramifications in every State, county, and smallest community of our land, and represented the people's will at the capital, spreading before the inhabitants in every district of the United States the National Government's war problems and measures.

It created such vital agencies as the War Industry Board, Aircraft Production Board, Commercial Economy Board, and otherwise acted somewhat as a great administrative laboratory. With the signing of the armistice, it was to have passed out of existence.

The problems of reconstruction, however, are so many and so vitally important as to require the full coöperation of all of our people. No one realized this better than Grosvenor B. Clarkson, then secretary of the Council, and last June he laid before President Wilson a note emphasizing the need of carrying out some sort of survey of reconstruction and readjustment problems

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against the soldiers' return and consequent demobilization.

The President and Secretary Baker, too, were confident then that victory was almost in sight, so the Council of National Defense was encouraged to take up the study of reconstruction, and, since that time, has been busily engaged in studying this problem and learning what foreign countries have already done along reconstruction and readjustment lines, Mr. Clarkson continuing his services, as Director of the Council.

This is why this great mechanism is now turning its vast powers toward solving our Reconstruction and Readjustment problems.

The programs of demobilization and readjustment demand service from every citizen, and, in the last analysis, it is upon the community council the Council of National Defense now relies to do the work of the present emergency.

At this time "it is their especial opportunity," says Director Clarkson, "to relieve from all unnecessary hardship those members of the community who have been willing to give up everything in order to serve in the armed forces of the United States in the great struggle for liberty and democracy, and as far as possible to free the home-coming of these men from all anxiety as to their present and future welfare.

"In addition to all emergency work, a continuing service lies before the community councils. They have brought out of the war a new unity and sense of coöperative community fellowship. One of the lessons which we have learned in the strain of war is the interdependency of social effort. It is now, therefore, the duty and

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opportunity of the community councils to make the new unity a permanent asset in the national life, to the end of leavening the entire Nation with the spirit of coöperative and communal endeavor."

Among the problems delegated to these community councils to handle by the Council of National Defense are such matters as the welfare of the returning soldier and sailor, who should be helped to employment, put in the way of getting legal assistance, if necessary, greeted upon his return with receptions, etc.; aid in demobilization by watching out for deserters, the reporting of bogus cases of War Risk Insurance; the food problem, for, as America must feed a starving world, the councils must help the county farm agent in his national agricultural program for meeting the present food emergency. Community councils must also aid in food conservation by keeping in touch with the nearest local Food Administrator, and with the county home demonstration agent, whose work is educating people in food-saving and diet improvement. And, then, there is the developing of a Boys' Working Reserve wherever farm labor is scarce; also fire protection to be looked after.

Other very important problems for the Community Council to study and work upon, are — Americanization, for complete unity is essential to successful democracy; Children's Year Programs, which require every child, up to six years of age, to be weighed and measured, and proper medical and nursing treatment given where necessary; regular school attendance by children; general poor relief; Liberty Loan subscriptions; etc. In fact, the Community Council should

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be a coördinating agency for all emergency work in its community, and should assist Federal, State and worthy voluntary agencies in their work.

Although the Council of National Defense began its new activities along the lines of reconstruction in October, 1918, its work has since reached a point of efficiency where it is able to furnish every Government department at noon an outline of what every other department did up to midnight, in regard to reconstruction. It is really an administrative laboratory, but does not attempt to instruct the various departments, or outline policies; but what it does do, is to state a case clearly, outline to each the work of all others, carry to the people an outline of what is going on, tell the War Department what the Treasury is doing, for example, and outline to Congress the work that the various Federal agencies are doing. This same program is to be attempted throughout all of the States.

Studies of demobilization and unemployment have been made and the functions of war-created agencies, which have had to be discontinued, modified, or transferred elsewhere, have been analyzed and charted.

The Reconstruction Research Division records adjustments in trade and shipping made by the War Trade and Shipping Board and railroad administrations and other war agencies, in particular, problems of capital and labor. Valuable information is assembled as to readjustment activities of private agencies, national and international, and the dissemination of such information has been so far most effective. Pamphlets, charts and daily digests are supplied to all Government officials, including Cabinet officers, and Director Clark-

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son has announced that the Council of National Defense is the only agency at the capital that is attempting to make a complete picture of the work of all departments, and to furnish complete data to the various Federal agencies.

Some of the readjustment activities of our Departments at Washington, as charted, are:

Department of War. — Research and education along lines of reconstruction and readjustment affecting demobilization and placement of soldiers and munition workers; the education of soldiers overseas; adjustment of labor conditions.

Treasury. — Preparation for further bond issues; committee to study and stimulate gold production; post-war military and naval insurance.

Interior. — Provision of employment after war by Federal and joint Federal and State expenditures for internal development; Americanization; land and homes for soldiers.

Post Office. — Marketing of farm products; utilization, for postal purposes, of airships and automobiles, unsuitable for purposes of War Department; establishment of motor-truck routes to facilitate collection and delivery of food products; policies of public control of telegraph, telephone and cable service.

Agriculture. — Coöperation in rehabilitation and reeducation of men in service; assistance to soldiers desiring agricultural employment; coöperation in demobilization and placement of soldiers, sailors and civilian Government employees and munition workers; opportunities for employment in reforestation and road construction.

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Commerce. — Promotion of export trade; collection of material and bibliography on reconstruction and readjustment; study of economic reconstruction tendencies in belligerent countries; research concerning relations of employers and employees by representatives abroad; scientific research.

Labor. — Coöperation with Government agencies in rehabilitation and reëducation of men in service; surveys of labor situation and employment opportunities in industry; coöperation with Government and other agencies in demobilization and placement of soldiers, sailors and civilian Government employees and civilian munition workers; Americanization of immigrants, including courses in development of community life and activities. Classification of occupations, their definition, qualifications therefor, etc., of value in placement; research as to foreign reconstruction plans. A survey of wages, labor, housing and working conditions. Research into relations of employers and employees in foreign countries by representatives abroad. Collection of material and bibliography on reconstruction. Cooperation in care of children of dependent soldiers. Division of conciliation for adjusting labor disputes. Associated with this department the National War Labor Board makes research in internal relations of employers and employees in foreign countries, also concerning foreign reconstruction plans.

Department of State. — Studies trade situation in foreign countries; drafts reciprocity and commercial treaties with assistance of U. S. Commission.

Other Federal agencies, now busy in readjustment activities, are the Federal Board for Vocational Educa-

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tion, which is coöperating in demobilization work, rehabilitation and reëducation of men in service; Federal Reserve Board, which is studying post-war foreign trade banking problems; U. S. Food Administration, considering post-war effects on present food regulation and of its continuance under new economic era; U. S. Fuel Administration, considering post-war effects on present fuel regulations, etc.; U. S. Housing Corporation, utilization of houses already built, continuance of house-registration service and of rent profiteering committees; U. S. Railroad Administration, transporting troops; adjusting labor conditions; policies of public control of transportation; plans for increased use of internal waterways, new terminals, railroad statistics; U. S. Shipping Board, troop transportation; development of American Merchant Marine; regulation of foreign and domestic shipping; statistics; reading courses for men in naval and cargo services.

In line with the foregoing far-reaching readjustment activities of our various Federal agencies, there was recently created the Industrial Board of the Department of Commerce, charged with the stabilization of prices for basic materials in a way to create a firm foundation upon which the consumer can base his future purchases and the producer can form necessary production cost estimates. Through proper investigation and stabilization, it is laying a foundation for the resumption of American business and furnishing of employment to returning soldiers and sailors. Consultations are being held with various leaders of industry and the first of these was with representatives of industries producing basic material, such as iron, steel, lumber, textiles,

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cement, copper, brick, etc., for the vital need of the times is resumption of industrial activity to the fullest extent possible. The Committee feels that the proper basis of selling prices for the present will be found to be upon a scale considerably higher than those of the pre-war days, and that the level should be established on the lowest plane possible, having due regard to industry, labor and government. Hence, it thinks the announcement of such a plane of prices will immediately create confidence in the buying public; and wants an effort made to wholly eliminate the abnormal, unbalanced stimulation that business has had with resulting inflated prices, and a new start made upon a normal level. Industry and labor have a mutual interest in remedying present conditions, but industry, in the Committee's opinion, should take the first step by the reduction of prices and commodities and require of labor as little aid as possible.

Thus, the gigantic forces, such as the War Board and other newly created war agencies which, upon the outbreak of war, at a wave of Uncle Sam's wand, sprang into active militant existence, are now demonstrating their far-reaching power and efficiency in the paths of Peace — in binding up the Nation's wounds by wisely considered plans of reconstruction and readjustment.

THE END

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